A New Course for Canada

Submission of the Central Executive Committee, Communist Party of Canada, to the Royal Commission on the Economic Union and Development Prospects for Canada
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Introduction

The establishment of the Royal Commission on the Economic Union and Development Prospects headed by Donald S. Macdonald coincides with the fact that Canada has reached a crossroads in its economic and political development. Not only has Canada experienced the deepest and longest economic crisis since the Great Depression but it is also faced with a choice of either genuinely strengthening Canadian independence or integrating itself even more closely into the militarized U.S. economy. It is a recognition of these facts that the Royal Commission was given wide terms of reference to carry out its work. Under these terms, it is being asked to examine four general areas: (1) Canada's longer term economic prospects; (2) recommend economic goals and policies; (3) suggest reforms for government institutions, particularly economic ones; and (4) recommend ways to improve Ottawa's relations with the provinces, business and labor.

The terms of reference of this Commission are much wider than those of the 1956 Gordon Royal Commission which was restricted to a study of Canada's economic prospects. On the other hand, they approach those of the 1937 Rowell-Sirois Royal Commission on Dominion-Provincial Relations. Unlike the other two Commissions, the Macdonald Commission is also empowered to examine state relations with the labor movement. It is an admission of the fact that the labor movement plays a vital role in Canada's development.

All three Commissions were established at critical times in Canada's economic development and history — the Great Depression, the recessions of 1956-62 and the crisis of 1980-83. The timing of the Macdonald Commission and the scope of its terms of reference are an admission that Canada not only has very serious problems but also that public consensus is being sought for a way out of the present crisis which would serve big business and yet have the support of Canada's working people.

The problems that Canada is confronted with find their roots in the policies which have been pursued by federal and provincial governments and big business. The cornerstone of these policies has been the subordination of Canada's interests to those of U.S. imperialism. A conscious decision was made in the late 1940s to this effect in the belief that Canadian monopoly would share in the profits of U.S. economic and military hegemony. Untouched by the ravages of World War II, the United States did in fact emerge as the undisputed leader of the imperialist world. In exchange for turning itself into a resources base for U.S. industries, Canada was given wider access to the U.S. market and was the beneficiary of orders from the U.S. war machine.

However, in the 1980s, neither the U.S. market nor involvement in the U.S. military-industrial complex is helping Canada. In fact, they are at the root of many of Canada's problems. The world situation and the international role of U.S. imperialism has changed radically in the last 30 years. Instead of being the rising pre-eminent power of the capitalist world, the United States is now a declining power which is being effectively challenged by the socialist world and by its own imperialist allies, especially Japan and the European Common Market.

What puts Canada at the crossroads is the fact that it is faced with an historic choice — either absorption into the United States or genuine independence. So far, Canada's ruling élite is both divided and hesitant on this issue. There are timid steps forward but there are also retreats in the face of U.S. pressure. Absorption in the guise of free trade and continentalism is advocated by certain right-wing elements of big business in Canada who believe that their profitability will be thereby increased. This continentalism reflects itself not only in economic and foreign policy but also in the growth of U.S. cultural dumping on Canada for both economic and political purposes. They also believe that closer integration with the U.S. economy will help Canada overcome its economic crisis. However, it is necessary to re-emphasize that U.S. imperialism is a declining world economic power. Absorption in this context would have disastrous consequences for Canada; it would turn Canada even more into a backwater of U.S. industry and make it even more vulnerable to the perturbations of the U.S. economy.

At the same time, Canadian monopoly capital has grown stronger over the years. This has encouraged some sections of Canadian monopoly to seek a bigger role both in Canada and on the international scene. This in turn has increased rivalries between some sections of Canadian monopoly and the U.S. transnationals. The existence of both cooperation and competition between Canadian and U.S. big business emphasizes the fact that the two countries have an antagonistic partnership.

With respect to the economic recession, the blame again lies with monopoly. Big business enjoys decision-making powers over the economy and also holds the main levers of state power. Yet it has used this power selfishly in the pursuit of the maximization of profits with growing disregard for the very real needs of Canada's working people.

In fact, in recent years, Canada has undergone its worst economic crisis since the Great Depression. According to the Organization for Economic Cooperation and Development (OECD), Canada's gross domestic product fell by five per cent in 1981-82 after several years of slow growth. Industrial production, which lies at the heart of every economy, fell 11.2 per cent in this period.[1] This slowdown and decline reflected itself further in the capacity utilization rates of Canadian manufacturing, one-third of which lay idle.

Economic decline entailed mass unemployment. Officially around 11 or 12 per cent, in actual fact it is very much higher. Furthermore, the outlook for jobs is bleak. Unemployment is expected to stay above 10 per cent. Many studies predict that it will be much higher.

Real personal disposable incomes have fallen every year since 1976.[2] In most cases, this erosion of real incomes has taken place because wages and salaries have been subjected to controls while inflation continues to outpace nominal increases in wages and salaries. In fact, one of the outstanding features of the present economic crisis is that high rates of inflation exist in tandem with massive unemployment.

The cumulative effect of mass unemployment and declining real personal incomes is to shrink the domestic market and thereby undercut economic growth. Yet the federal and provincial governments, supported by big business, continue to pursue just such policies, policies which in effect have prolonged Canada's economic crisis and acted as an obstacle to economic recovery.

Indeed, the prevailing idea in government and business circles is that "free enterprise" is the vehicle for economic recovery. However, we wish to point out (and it is elaborated later in this brief) that it is pro-big business policies that brought on and prolonged the crisis in the first place and which now threaten to strangle the recovery. That there is any recovery at all is not because of "free enterprise," but in spite of it.

Genuine independence and economic recovery cannot be achieved without recognizing the decisive role played by the labor movement. So far, government and big business have taken the attitude that Canada's labor movement and its working people should subordinate themselves to the policies of monopoly even though they have been the main victims of monopoly's crisis policies and continue to bear the brunt of its consequences — unemployment, declining living standards, cutbacks in education and social services and so on. We reject this utterly because it means sacrificing the needs of the working people in favor of the profits of the big corporations.

At the heart of the policies for genuine Canadian independence and economic recovery must be public ownership of the key sectors of the economy, that is, nationalization under democratic control. The key sectors of the economy must be owned by and run in the interests of Canada's people — not private profit.

The achievement of genuine Canadian independence is predicated on the prevention of nuclear war and the establishment of world peace and peaceful coexistence between differing social systems.

Canada is presently a military ally of U.S. imperialism and con-

sequently its foreign policy is frequently subordinated to Washington's imperial and military ambitions. Canada is tied to a policy of hostility to the socialist world, particularly the Soviet Union, as well as to the national liberation movement.

In recent years, the U.S. government has embarked on a particularly dangerous course, the centerpiece of which is to build up a first strike capability and to achieve military superiority over the Soviet Union. U.S. imperialism's aggressiveness has sharpened international tensions to a very dangerous point, compelling Prime Minister Pierre Trudeau to warn that "the world is teetering on the brink of disaster and atomic war."[3]

We could not agree with him more, but we would also like to draw attention to the fact that the Trudeau government has contributed to the arms race by allowing the cruise missile to be tested in Canada. Canada cannot contribute to world peace and the reduction of the arms race nor can it overcome its serious economic crisis as long as it is economically and militarily attached to U.S. imperialism's ambitions to re-establish world hegemony up to and including nuclear war if necessary, as well as the crude use of military power to threaten, undermine and where possible overthrow governments it does not like.

Unlike World Wars I and II, the Korean War, the Vietnam War as well as a number of other U.S. adventures around the world, a war between the United States and the Soviet Union would not be so much a war, but rather, extermination. It would be useful to remind the Commission that geographically Canada lies between the USSR and the USA. Also, Canada is a member of NATO, an alliance that is explicitly hostile to the USSR. Our country would not be spared. The prevention of nuclear war is the cardinal task facing our country, indeed, the whole world.

For Canada to make a positive contribution to world peace and nuclear disarmament it must pursue an independent foreign policy. This means no cruise testing in Canada, making Canada a nuclear weapons free zone and pulling Canada out of NATO and NORAD. It also means making Canada a positive factor in lessening international tensions and securing détente and peaceful coexistence. We believe that Canada could make an enormous contribution to world peace. Our very existence is at stake.

Monopoly Capitalism in Canada at the Present Time

Three closely related and fundamental realities influence Canada's present situation: (1) the exploitative nature of monopoly capitalism; (2) the merger between monopoly and the state; and (3) the domination of the U.S. transnationals over key branches of the economy and its consequent political ramifications. In the context of a severe economic crisis, this all adds up to the pursuit of savagely anti-labor and anti-working people policies.

Canada is a monopoly capitalist country in which a relatively small number of privately owned corporations own the largest share of the wealth-producing assets. Names such as the Royal Bank, Canadian Pacific, General Motors, Brascan and Imperial Oil (to name just five) are familiar to Canadians. Names such as Black, Thomson, Bronfman and others are identified with the well known Canadian corporations they own and control. Indeed, the attempt by Paul Desmarais' Power Corporation to take over Argus Corporation provoked the establishment of the Royal Commission on Corporate Concentration in 1975.

Canada's big financial and non-financial corporations have assets in the millions and billions of dollars. Many of them are owned by U.S. transnationals.

Statistical information on the degree and structure of monopoly capital concentration is readily available. It is sufficient for the purposes of this brief to outline its basic contours.

Table I shows that there were more than 333,000 non-financial firms in Canada in 1980. Yet an unbelievably tiny fraction of them accounted for the big majority of sales, assets and profits. The 500 leading non-financial firms, one-sixth of one per cent of the total, accounted for more than one-half of the sales, almost two-thirds of the assets and more than two-thirds of the profits. The top 100 firms, an infinitesimal one-thirtieth of one per cent of the total, accounted for almost one-half of the assets and more than one-half of the profits.

The concentration of ownership and control remains very high in most major Canadian industries. In 12 of CALURA's list of 33 major industries, 8 firms in each of the industries accounted for more than 50 per cent of sales. In another 13 industries, 8 firms accounted for 25 to 50 per cent of sales.

Table I does not take into account the extremely high degree of concentration in the financial industry. For example, in 1982, the Royal Bank, Canada's largest chartered bank, had assets totalling 88.5 billion dollars. This was greater than the combined assets of Canada's 10 largest privately owned firms (Canadian Pacific, Bell Canada, Dome Petroleum, Alcan Aluminum, Imperial Oil, Seagram Co., Nova Corp., Noranda Mines, Hiram Walker Resources and Gulf Canada) which totalled 84.6 billion dollars.[6] With such huge financial resources at their command, Canada's financial institutions, particularly the five largest chartered banks, are decisive to the country's economic development.

TABLE I

Leading Firms in Terms of Sales of Non-financial Corporations, by Control, 1980

	25 leading firms			100 leading firms		
	Foreign	Canadian	Total	Foreign	Canadian	Total
Firms (number)	9	16	25	47	53	100
Corporations (number)	162	453	615	568	919	1,487
Sales (%)	8.4	12.6	21.0	16.3	20.7	37.0
Assets (%)	5.8	24.4	30.2	13.5	35.7	49.2
Profits (%)	8.7	22.0	30.7	19.1	34.1	53.2
	500 leading firms			**All non-financial firms**		
	Foreign	Canadian	Total	Foreign	Canadian	Total
Firms (number)	273	227	500	3,497	109,549	333,024
Corporations (number)	1,542	1,908	3,450	5,786	114,709	340,473
Sales (%)	25.6	27.6	53.2	31.5	63.5	100.0
Assets (%)	21.4	43.8	65.1	27.3	69.5	100.0
Profits (%)	31.5	37.3	68.8	38.4	58.5	100.0

The total for all non-financial firms includes unclassified corporations.

CALURA, Report for 1980, Part I — Corporations (Ottawa, 1983), p. 40.

In the sense that there is usually more than one important corporation in a given industry, we have an oligopoly situation in Canada. Nevertheless, it is appropriate to refer to such companies as monopolies because in very important respects they cooperate with each other and create what effectively amounts to a monopoly situation. The existence of a monopoly situation, however, does not preclude rivalries or competition among the big corporations.

This monopoly situation is particularly obvious with respect to price determination. Most big corporations, the Report of the Royal Commission on Corporate Concentration states, "recognize that profits will be higher when cooperative policies are pursued than when each firm aggressively seeks a larger market share through price competition."[7] Usually one firm becomes the price leader which the other firms follow "thereby producing a situation more akin to monopoly pricing and behavior than to price competition."[8]

A more recent and more detailed study of monopoly practices was

done by R.J. Bertrand on the state of competition in the Canadian petroleum industry. Four major companies (Imperial, Shell, Gulf and Texaco) held 35 per cent of Canada's crude production, 64 per cent of refining capacity and 56 per cent of retail outlets in the 1970s. Imperial Oil also controlled the major east-west trunk pipeline in Canada.[9] In short, the four majors had an iron grip on Canada's petroleum industry. Bertrand concluded that "the majors consistently used monopolistic practices to restrict competition from the independent sector and to impose billions of dollars in excess costs on Canadians."[10] In concrete terms, the costs of this monopolistic situation amounted to 89.2 billion dollars from 1958 to the end of 1981 or about 15,000 dollars per Canadian family.[11] And what was a cost to Canadians was a profit to the petroleum companies.

The Royal Commission on Corporate Concentration recognized that monopoly practices are a generalized phenomenon in Canada.

> The power of the dominant firm is not based only on their ability to exercise price discipline. Such enterprises may have advantages based on the control of strategic resources, as in the aluminum industry; the ability to control channels of distribution or to demand preferred treatment as buyers, as seen with major department store or supermarket chains; or the ability, through vertical integration, to secure stability in the supply of raw materials and the marketing of products, as seen with basic metals.[12]

In sum, monopoly is a decisive force in Canada's economic life and society.

If a businessman is in business to make a profit, then a big businessman who controls a big business wants to make big profit. Several Royal Commissions and government-sponsored studies have observed that the monopoly practices of the big corporations have facilitated the acquisition of higher profits. Table I shows that although the 500 leading firms accounted for 53.2 per cent of sales, they accounted for 68.8 per cent of the profits. All other firms had almost as much in sales as the top 500 but managed to retain less than a third of the profits. In its study of corporate concentration, the Dickerson-Nadeau Royal Commission acknowledged that evidence supported "the hypothesis that increased industrial concentration is associated with greater price-cost and profit margins, all other variables held constant."[13] In other words, monopoly means proportionately higher profits for the biggest corporations but it also means higher costs and prices to the consumers because the monopolies are able to keep competition in the domestic market to a minimum.

The Economic Role of the State

Through the pro-big business mass media and other means, government and the monopolies propagate the idea that there are three major, roughly equivalent, countervailing forces in Canadian society — business, government and labor — which allegedly have a common interest in the existing economic situation. This thesis is advanced to convince working people that what is needed is cooperation among these three forces. If achieved, cooperation would allegedly bring Canada one giant step closer to solving its economic and political problems.

We reject this concept and all its variations as false. There are only two major opposing forces — labor (and other working people) and monopoly capital (including foreign transnationals) with the latter enjoying control over the state and its institutions as well as decision-making powers over the economy.

While this brief will come back to the question of the state's relationship to the working people, it would be useful to concentrate at this point on the economic links that exist between big business and government. These links, plus the generally (although not always) harmonious political relationship between the state and the monopolies demonstrate that the state is not a neutral force which stands above the conflict between monopoly and the working people.

Long-term budget trends confirm the view that state economic policies are geared toward supporting the profitability of the corporations at the expense of the working people. As Table II shows, taxes on persons have been increasing as a share of consolidated government revenues while the corporate share has been declining steadily and without interruption since 1951. Only in the last few years has there been a decline in the share of revenues derived from direct taxes on persons. This is attributable to the fall in peronal real incomes that has been taking place since 1977. At the same time, the corporate tax burden is at an all-time post-war low — a meager 8.8 per cent of the total.

Not only has the corporate share of taxes declined sharply since 1951, but also half of all corporations pay no taxes at all. The energy and natural resource monopolies are particularly notorious for their ability to avoid paying taxes. In fact, all three levels of government give the monopolies an entire array of concessions and loopholes to enable them to avoid paying taxes. The federal and provincial governments, for example, provide investment tax credits, depletion allowances, capital cost allowances, write-offs and many other tax breaks. The net effect is to help corporations increase their profit margins.

TABLE II

Total Government Revenues as a Percentage according to Source

Year	Direct taxes on persons	Direct taxes on corporations	Indirect taxes	Other revenues
1947	23.4	17.7	46.8	12.1
1951	21.3	23.6	44.2	10.9
1956	25.0	17.0	45.5	12.6
1961	25.9	14.5	45.5	14.2
1966	29.7	12.1	44.4	13.8
1971	36.9	9.5	36.9	16.7
1976	38.6	9.7	33.8	17.9
1981	37.4	8.8	33.6	20.2

Compiled from: **Economic Review April 1982** (Ottawa, 1982), p. 176

Those corporations which did pay taxes paid them at a rate of 29 per cent of net book profits in 1979, down 2.5 per cent from 1978. According to Statistics Canada, large corporations generally paid lower rates of taxes than smaller corporations. "Using the ratio of taxes to adjusted book profits as a measure of tax burden, the rate of tax in 1979 for firms with assets of $25 million or over was 25 per cent of book profits, while for firms with assets less than $1 million it was 36 per cent."[14] In other words, government taxation policies discriminate not only against working people but also against small and medium business, evidence that the government has a very distinct pro-monopoly bias.

While taking billions of dollars from working people in the form of direct and indirect taxes (that part of the latter paid by the monopolies is usually passed on to the consumer in the form of higher prices as witnessed, for example, when federal and provincial governments were increasing their taxes on oil and gas), the monopoly-dominated state also gears its expenditures to the benefit of the monopolies. Indeed, the state budget, specifically its expenditures which in 1981 totalled 139.5 billion dollars, is not only huge but growing as well.[15] In 1954, the state share of the Gross National Product (GNP) was 27.4 per cent; in 1975, it had risen to 42.9 per cent. Expenditures on goods and services alone rose from 18.1 per cent to 24.8 per cent of the GNP during the same period.[16] In short, government budgets constitute the largest single and surest market in Canada. Consequently, govern-

ment purchases, contracts, subsidies and so on are very good for business and profits and makes the state budget the object of considerable and constant business interest and scrutiny. In fact, some monopolies, particularly those involved in armaments production, are so dependent on the state budget as their market that for them it is a matter of corporate life or death.

It is symptomatic of the class bias of the government that it will give hundreds of millions of dollars to bail out monopoly corporations on the verge of bankruptcy such as Dome Petroleum, Chrysler and Massey-Ferguson. Maislin, as we know, received 34 million dollars from the taxpayers but went bankrupt nevertheless. At the same time, many Canadians have lost their homes and possessions, yet neither federal nor provincial governments have lifted a finger to help.

State-owned enterprises are also operated with private enterprise in mind. As the Dickerson-Nadeau Royal Commission observed:

> The need for government regulation and involvement in the economy may well increase in the future. There are a number of tasks in our society that may be best undertaken by government *(often in conjunction with private enterprise)*. Some projects may be *too large or risky for private firms* to undertake by themselves without government support. Others may be in the national interest *but not sufficiently profitable to attract private capital*. For example, the development of new resources of energy that can be in place as the end of the oil age approaches is probably beyond any set of market assumptions, yet it is in the public interest for Canada to develop these new resources. (Our emphasis)[17]

In a similar vein, Wallace Clement, who did a lengthy study of the Canadian corporate élite, concluded that Crown corporations "have traditionally been established in areas of the economy where private enterprise has failed or does not find it profitable to engage in business activity."[18] Industries with an expectation of a sufficient level of profit are left in the hands of private enterprise while those which are considered too risky, require huge amounts of capital, have relatively little or no return on investment and yet are still necessary for the country's economic development are left in the hands of the state. The state in turns supports such enterprises through taxes raised in the main from the pockets of Canada's working people.

Given that the state sector is run primarily for the benefit of big business, it seems strange at first glance that some businessmen attack the so-called inefficiency of state enterprises, citing as evidence that they rarely make a profit. However, these attacks reflect short-term or sectional interests rather than the interests of monopoly as a whole. Historically speaking, state involvement in Canada's economic life has grown substantially under both Conservative and Liberal governments. When state or mixed enterprises such as Petro-Canada and the Canadian Development Corporation (CDC) do become profitable, these same businessmen are not averse to calling for their "privatization."

Big business criticism of state enterprises is, firstly, directed toward undermining public confidence in the *principle* of state ownership. Secondly, this attack acts as a justification for transferring profitable state enterprises into private corporate hands on the specious grounds that private enterprise can run these companies more efficiently than governments. Thirdly, the pro-U.S. sections of Canadian monopoly object to state ownership of industries because, given the right conditions and policies, it can be used to strengthen Canadian independence.

In 1981, for example, some business circles put pressure on the federal government to reduce its stock holdings in the CDC, a mixed enterprise in which the federal government held 48 per cent of the shares and private interests 52 per cent. It so happened that, in 1980, the CDC's profits had jumped by 53 per cent compared to 1979. As one private shareholder put it:

> We like the way the corporation has been run and we want to keep it that way. How can we be protected so that the Government will not interfere with *our* money? (Our emphasis)[19]

That Canadian taxpayers took the largest share of the risk did not make much of an impression on this self-serving shareholder.

Characteristically, business demands for the CDC's privatization subsequently cooled when the CDC showed a negative income balance in 1982. With the 1983 profit recovery, demands for its privatization were revived.

Since the publication of the Dickerson-Nadeau report in 1978, nothing has changed either in specific cases such as the recent history of the CDC or in general. Table III shows that in terms of 1982 assets, 6 of the top 12 Canadian industrial companies were owned or controlled by either federal or provincial governments. In 1981, a year of modest growth, five of the privately owned firms enjoyed a higher rate of return on investment than any of the state-owned companies. The sixth, Dome Petroleum, was barely behind Hydro-Québec. Even though 1982 saw profits for the top 500 corporations drop about 55 per cent, the rate of return on investment for the privately owned corporations still tended to be higher than that of the state-owned corporations although the contrast was not as sharp. If the profit recovery of 1983 lasts, it is likely that the 1981 contrast will be restored.

In summary, the separation between big business and the state resembles two sides of the same coin; they look different but they are made of the same material — monopoly capital — and cannot be separated from each other. Conflicts do take place between the state and different sections of monopoly, but these occur over means rather than ends. They agree on the need to preserve private capitalist ownership in its monopoly form and on creating the best possible conditions for the pursuit of corporate profits. We can only agree with Clement's conclusion that "the alliance between government and business is not an alliance of equals but one dominated by the interests of corporate capitalism."[20] In other words, the state does not stand above the conflict between business and labor. It is a participant in that conflict on the side of the monopolies.

TABLE III

Top Twelve Canadian Industrial Corporations in Terms of Assets, 1982

Company	Rank by Assets	Assets ($'000)	Return on Invested Capital before Tax % 1981	1982
Hydro-Québec	1	23,169,000	11.4	12.9
Ontario Hydro	2	20,720,832	2.6	2.0
Canadian Pacific	3	17,273,034	16.1	8.0
Bell Canada	4	13,421,188	14.4	14.8
Dome Petroleum	5	9,916,600	7.6	3.9
Alcan Aluminum	6	8,212,981	11.0	3.2
British Columbia Hydro and Power Authority	7	7,790,226	4.1	7.8
Petro-Canada	8	7,552,115	9.7	3.8
Canada Development Corporation	9	7,525,890	8.3	4.3
Imperial Oil	10	7,486,000	17.7	12.0
Seagram Co.	11	6,401,523	16.6	9.0
Canadian National Railway	12	6,335,971	7.3	0.2

Compiled from: **The Financial Post 500,** June 1982, pp. 66-71; and **The Financial Post 500,** June 1983, pp. 68-73.

U.S. Economic Domination

Canada is an integral part of the world capitalist system and is subject to the vagaries of the international capitalist market. From this point of view, Canada is not at all unique from other capitalist countries. What makes Canada unique is that it has the dubious distinction of being more integrated into and more dependent on the U.S. economy than any other developed capitalist country. There are several aspects to this problem, but in the final analysis, they distort and retard Canada's economic development, aggravate Canada's existing economic crisis and make Canada vulnerable to U.S. economic and political blackmail.

According to the Royal Commission on Corporate Concentration, "Canadian industry features a higher proportion of foreign ownership than does any other developed country . . ."[21] In fact, foreign long-term investment grew rapidly throughout the 1970s. In 1968, it amounted to more than 38 billion dollars of which 30.5 billion, or 80 per cent, originated in the USA. In 1978, it swelled to 102 billion dollars of which 73 billion came from the USA.[22] In other words, in only one decade, foreign long-term investment increased by more than 150 per cent; U.S. investment increased 100 per cent.

In the 1968-78 period, a substantial shift took place in the relative distribution of the type of foreign long-term investment. In 1968, 54.3 per cent of foreign long-term investment was directed toward direct investment in manufacturing, petroleum and gas and mining and smelting; in 1978, direct investment in these industries dropped to 44.5 per cent of the total. The main beneficiary of the shift was portfolio investment in government securities which went up from 17.9 per cent to 26.7 per cent between 1968 and 1978.[23]

U.S. investors were somewhat slower in making this change, but once underway, it was just as significant. In 1968, U.S. direct investment in manufacturing, petroleum and gas and mining and smelting accounted for 56.8 per cent of all U.S. long-term investment. In 1973, it dropped slightly to 56.5 per cent. In 1978, it dropped to 50.2 per cent. From 1973 to 1978, U.S. portfolio investments in government securities increased sharply from 17.9 per cent of total U.S. long-term investment in Canada to 25.0 per cent.[24]

What is happening is that foreign investors are preferring the security of a guaranteed return from government to the riskier fate of industries subject to the ebbs and flows of the capitalist economy. It is, in short, international coupon-clipping.

This shift in the distribution of foreign long-term investment has allowed Canadian companies to increase their stake in a number of industries. Table IV shows that from 1968 to 1978, the share of Canadian ownership of capital employed in non-financial industries increased from 65 to 67 per cent. Control increased from 65 to 74 per cent from 1968 to 1981. The greatest change took place in mining and smelting and in the petroleum and natural gas industry.

Canadianization is attributable to two phenomena. Firstly, Canadian monopolies grew relatively stronger in the mid 1970s while the transnationals grew weaker. From 1974 to 1979, there was a rash of mergers and takeovers by Canadian monopolies which created larger capital pools and placed them in a better position not only to take over U.S. assets in Canada but even to compete with U.S. firms for their assets in the USA. At the same time, U.S. transnationals were weakened by the rapid militarization of the U.S. economy which put U.S. economic resources into the build-up of armaments, especially nuclear weapons, rather than into improving U.S. industry's international competitiveness. The decine in U.S. competitiveness explains the aggressive protectionist policy of the Reagan administration and is one of the causes of strains in relations between the United States and its allies, including Canada.

Secondly, the federal government actively assisted the Canadianization process. The creation of state-owned Petro-Canada in 1975 and the implementation of the National Energy Program (NEP) in 1980 facilitated Canadian ownership and control of the petroleum industry by creating more favorable conditions for investments by Canadian firms. Although receiving less publicity and government attention than the petroleum industry, the Canadianization of the mining and smelting industry took place almost as rapidly. The CDC's takeover of Texasgulf's Canadian assets was an important step in this direction.

TABLE IV

Relative Distribution of Ownership and Control of Capital Employed in Non-Financial Industries, Year Ends, 1968, 1973, 1978 and 1981 (preliminary)

Industry and Year	Total Capital Employed ($billions)	Ownership Canada	Ownership USA	Ownership Other	Control Canada	Control USA	Control Other
Manufacturing							
1968	21.7	48	44	8	42	46	12
1973	31.3	47	44	9	42	43	15
1978	55.5	52	40	8	48	41	11
1981					50	39	11
Petroleum and natural gas							
1968	10.4	38	51	11	25	61	14
1973	31.3	42	46	11	25	59	16
1978	30.6	52	38	10	46	41	13
1981					56	34	10
Mining and smelting							
1968	5.9	39	51	10	32	58	10
1973	8.4	45	45	10	44	45	11
1978	13.0	49	37	14	49	38	13
1981					54	34	12
Railways							
1968	5.6	82	8	10	98	2	-
1973	6.1	85	7	8	98	2	-
1978	6.5	76	15	9	99	1	-
1981					99	1	-
Other utilities							
1968	17.8	81	18	1	95	4	1
1973	28.5	81	16	3	93	4	3
1978	58.9	75	18	7	96	4	-
1981					97	3	-
Total of above industries, merchandising and construction							
1968	77.5	65	29	6	65	28	7
1973	116.0	66	28	6	66	26	8
1978	208.9	67	26	7	72	22	6
1981					74	20	6

Compiled from: **Canada's International Investment Position 1968-1970** (Ottawa, 1975), p. 65; **Canada's International Investment Position 1978** (Ottawa, 1982), p. 32; and **Statistics Canada Daily,** January 26, 1983.

The federal government would have us believe that its active intervention in some industries is motivated by nationalist considerations such as lessening Canada's dependence on foreign oil. However, this was not the government's only motive. If we keep in mind that the oil majors extracted 89.2 million dollars in excess profits from Canadian consumers between 1958 and 1981 and also that the petroleum industry enjoyed higher rates of profit in the 1970s than any other industry, then we are compelled to conclude that the federal government's intervention in some sectors of the economy was also motivated by the desire to support the profitability of some Canadian monopolies at the expense of foreign transnationals. This conflict between Canadian and foreign, especially U.S. capital, is the source of much of the antagonism that exists between Canada and the United States.

To the extent that Canadianization has taken place, it is a positive development because it has strengthened Canadian economic

sovereignty in the industries affected. Canadianization brings about the repatriation of billions of dollars in profits and constitutes a positive factor in Canada's balance of international payments. This is why the Communist Party of Canada has given critical support to federal government measures to bring the Canadian economy under Canadian control. It is also important for this Royal Commission to note that most Canadians, including those from the western provinces, have consistently supported measures which have strengthened Canadian economic independence. The popularity of Petro-Canada even in Alberta is a case in point.

Our support is conditional, however, because the present form of Canadianization is too limited in its scope and relies on big business to carry through the repatriation of our country's economy. Neither are their direct benefits to Canadian consumers. For example, one of the by-products of the NEP was higher oil and gas prices. What Canada needs to achieve Canadian economic independence is nationalization under democratic control of key sectors of the economy.

Canada pays a heavy price for foreign economic domination. The Dickerson-Nadeau report observed that Canada's "industrial sector is the weakest area of the economy."[25] Although Canadian ownership in the manufacturing sector has increased from 43.3 per cent of all assets in 1967 to 65.5 per cent in 1980, it has as yet not altered the manufacturing sector's underdevelopment or the distortions inherent in it.[26]

In fact, U.S. transnationals maintain majority ownership of many important industries — machinery, transport equipment (particularly autos and parts), electrical products, coal and petroleum products, chemicals and chemical products. In contrast, Canadian ownership is high in most consumer industries including those with a poor competitive position on the international capitalist market. Knitting mills and the clothing industry, for example, are overwhelmingly Canadian owned but they are also threatened by foreign competition. High government tariffs help to keep these industries alive.

U.S. transnational domination of Canada's key manufacturing industries is reinforced by Canada's dependence on trade with the USA and by the structure of that trade. Approximately 75 per cent of Canada's trade is with the United States. Canada's role as a net importer of manufactured goods and as an exporter of grains and raw and semi-processed materials continues unabated.

During the 1970s, imports of manufactured goods from all countries hovered around 63-64 per cent of the total while exports of manufactured goods ranged between 32 and 36 per cent.[27] One-third of Canada's exports to the USA consists of manufactured goods. Half of these consists of motor vehicles and parts and another 40 per cent machinery and equipment, industries which are dominated by U.S. monopoly capital. As for imports from the USA, three-quarters consist of manufactured goods.

In sum, U.S. transnationals have a massive grip on Canada's manufacturing sector and have subordinated it to the interests of U.S. industry. Canada's control of its economy has been gravely threatened by the existence of a great number of branch plants. On such important questions as investment policy, the use of technology, plant closures and lay-offs, the U.S. transnationals in effect make decisions which are outside Canadian government control and which impinge on Canada's sovereignty. Foreign domination of Canada's manufacturing sector is a fundamental cause of its weakness and underdevelopment. Successive federal and provincial governments bear full responsibility for allowing foreign corporations to pursue policies which have so clearly been to the detriment of Canada's industrial development and its people.

Canadianization of the natural resource industries without industrialization based on these resources amounts to nothing more than a change in the citizenship of the corporations which own them.

The underdevelopment of Canadian manufacturing combined with Canada's international capitalist role as an exporter of raw and semi-processed materials means that Canada is in effect a net exporter of thousands of jobs. Primary industries tend to be more capital-intensive than manufacturing industries. Reliance on the former leads to the creation of relatively few jobs. The underdevelopment of the latter means that much of Canada's raw and semi-processed materials are processed and manufactured in other countries, mostly in the United States. In effect, Canada's international trade creates jobs in the United States at Canada's expense. This is why unemployment is always higher in Canada than in the United States.

Keeping Canada's manufacturing sector underdeveloped and dependent on the U.S. market is not the only consequence of decisions made by U.S. transnationals. Foreign ownership of key sections of the Canadian economy affect decisions about investments, research and development, new technology and production. Transnationals make their decisions in accordance with the best potential for profit and not in accordance with the interests of Canada and its people. As Table I shows, the net effect of these decisions is that foreign corporations are much more profitable than Canadian corporations. The percentage share of sales and profits of foreign corporations is much higher than their share of the assets. Enterprises promising relatively little profit are left in Canadian hands, among them industries which have difficulty competing with foreign imports.

One of the great myths propagated in our country is that we need foreign investment to bring money into Canada and develop its economy. The truth is that foreign investment acts as a serious drain on capital in Canada and is aggravating Canada's long-term balance of international payments problems and weakening the Canadian dollar.

Table V reveals some startling facts. *Canada is a net exporter of*

TABLE V

Canada's Balance of International Payments, 1970-1981, in Millions of Dollars

Year	Commodity trade balance	Interest and dividends	Other services payments and transfers	Net foreign investment	Other long-term investment	Short-term capital movement	Errors and omissions	Net official monetary movements and SDR allocation	Net surplus or deficit
1970	3,052	-1,022	-924	590	386	-196	-387	1,796	3,298
1971	2,563	-1,141	-991	695	-55	1,030	-1,348	1,015	1,738
1972	1,857	-1,048	-1,095	220	1,368	472	-1,455	453	1,867
1973	2,735	-1,290	-1,367	60	567	-553	-650	-467	-965
1974	1,689	-1,553	-1,596	35	1,006	1,310	-867	24	1,644
1975	-451	-1,953	-2,353	-190	4,125	1,620	-1,203	-405	-4,050
1976	1,388	-2,498	-2,732	-890	8,897	69	-3,712	522	1,044
1977	2,730	-3,658	-3,373	-265	4,485	668	-2,005	-1,421	-2,839
1978	4,007	-4,696	-4,246	-2,065	5,146	1,237	-2,682	-3,299	-6,598
1979	4,150	-5,241	-3,803	-1,675	3,774	6,752	-2,268	2,127	3,816
1980	7,810	-5,544	-4,170	-2,195	3,500	1,113	-2,011	-1,063	-2,560
1981	6,636	-6,982	-6,229	-10,200	11,537	14,890	-8,438	1,636	9,079

Calculated from: **Economic Review April 1982** (Ottawa, 1982), pp. 203-204 and 207-208.

direct investment and has been since 1975. From 1975 to 1981, 17.48 billion dollars in direct investment left the country. It would be in the better interests of the Canadian people to keep this direct investment at home. Not only would there be a greater store of capital with which to develop the Canadian economy, particularly its manufacturing sector, but it would also ensure Canadian ownership and the repatriation of investment income.

Every year since 1953, Canada has paid to non-residents more in investment income (dividends, interest and service charges) than it has received.[28] The 1970s saw a substantial increase in these payments — from slightly less than two billion dollars in 1970 to more than 13 billion dollars in 1981. The largest portion of this consists of interest and dividends from portfolio investments in government securities and from direct investments in Canadian industries.

A cursory glance at Table V would seem to indicate that the drain of capital manifested in the outflow of direct investment and investment income is more than compensated for by the inflow of other long-term investment (mostly portfolio investments in government securities) and short-term capital inflow. However, the benefits of this capital flow to Canada's balance of international payments is much more illusory than real. Firstly, portfolio investments in government securities eventually have to be paid back with interest. Secondly, they are used to compensate for government deficits rather than to develop Canada's industrial capacity. Thirdly, short-term capital movements, which tend to fluctuate wildly, are used as a means of compensating for the investment activities of Canadian corporations abroad. The 1982 *Economic Review* explained that the huge 14.9 billion dollar short-term capital inflow in 1981 occurred because "a significant portion of the corporate takeover activity by Canadians was financed by the chartered banks, who in turn raised funds abroad."[29]

By excluding these short-term fluctuations, a very disturbing trend becomes obvious — Canada's balance of international payments position is being steadily eroded by both foreign investment in Canada and by Canadian corporate investment abroad. Even if short-term factors are included, Canada's net capital loss from 1973 to 1981 was still more than 1.4 billion dollars.

Certain important conclusions can be drawn. Firstly, Canadian corporations do not give priority to the development of a Canadian owned manufacturing sector, preferring, when the occasion arises, to invest for higher profits abroad. Secondly, since the net outflow of investment income and direct investment continues to grow rapidly, it means that Canada's balance of payments position is bound to worsen. Thirdly, the continuing growth of foreign investment in Canada "has taken place as a result of the reinvestment of profits generated within the Canadian economy."[30] In short, Canada is financing the sell-out of its own economy.

Canadian monopoly capital and the monopoly dominated state are responsible for and participate in the betrayal of Canada's economic interests. Canada's integration into and dependence on the U.S. economy makes our country subject to the problems and pressures of U.S. economic and political policies. Our dollar, our interest rates and even the growth of our economy (or lack of it) are dependent on the vagaries of the miltarized U.S. market and on the policies and decisions of U.S. transnationals and the U.S. government.

As this brief mentioned earlier, antagonisms do exist between Canadian and U.S. capital. However, they take place within the more general context of the partnership which exists between the monopolies of the two countries. Canada supplies the raw materials and the U.S. supplies its huge market and a share in the exploitation of the developing countries.

U.S. Political and Military Domination

Historically speaking, monopoly is responsible not only for Canada's economic but also its political and military subordination to U.S. imperialism. In the late 1940s, when the United States embarked on its anti-Soviet, anti-communist, indeed anti-progressive drive for world economic and military domination, the Canadian government of the time led by W.L.M. King made a conscious decision to subordinate Canadian monopoly interests to those of the USA.

Economically, this was reflected in the decision to open the doors to U.S. investment. As a result, close economic ties developed between some sections of Canadian monopoly and the U.S. transnationals. In some cases, these ties became so close that the Canadian corporations involved became stalking horses for U.S. corporate interests in Canada even when those interests conflicted with the interests of Canada, its people and other sections of Canadian monopoly. The concessions of the post-war period were made in the belief that Canadian monopoly would share in the profits of U.S. imperialism's world domination. For a number of years, Canada derived some benefits from this relationship, but now it is paying the price.

The conscious decision to tie Canada to U.S. imperialism was expressed by the Canadian government's general support for the foreign policy objectives of the U.S. government. Motivated by rabid anti-Sovietism and anti-communism, this support was reflected most importantly by Canada's adherence to the aggressive, anti-Soviet, U.S. dominated NATO alliance on its formation in 1949 and by the establishment of NORAD 10 years later which gave the Pentagon extra-territorial rights over Canada's airspace. These alliances have in effect tied Canada to U.S. imperialism's drive for nuclear superiority over the Soviet Union and despite protestations to the contrary, have made Canada an active participant in the continuation and now the acceleration of the nuclear arms race.

Certainly differences exist between Canada and the United States — or rather between the interests of the Canadian people and some sections of Canadian monopoly and those of the U.S. transnationals. However, in a situation where one partner is 10 times larger economically and is also the most powerful imperialist country in the world, politically and militarily, it is not hard to predict which of the two partners' views will tend to prevail.

The Foreign Investment Review Agency (FIRA) and the NEP provide two important examples of the nature of U.S.-Canada relations.

FIRA was established in 1974 with the aim of screening foreign investment, allowing into Canada that which could be proven to have "significant benefit" to Canada. This was seen by foreign, especially U.S. transnationals as a bureaucratic obstacle to the free flow of foreign capital into Canada. In 1980, the newly elected Trudeau government promised to strengthen it even more. It was a promise that antagonized the openly pro-business Reagan administration.

Also in 1980, the Trudeau government announced the NEP, one of whose main aims was to provide financial incentives for the Canadianization of the oil and gas industry. As in the case of FIRA, U.S. corporations and their sympathetic government in Washington regarded the NEP as an encroachment on the right and freedom of U.S. businesses to make unfettered profits in Canada, at Canada's expense.

In its campaign against FIRA and the NEP, U.S. imperialism applied all kinds of pressure on the Canadian government ranging from a public campaign of protests emanating from the White House to what amounted to blackmail. The U.S. oil majors did not scruple to blame the NEP for the flight of drilling rigs from Canada to the United States. With the support of the Alberta government, a media campaign was carried out to convince the public that the federal government was to blame for the industry's problems, when in fact (as they admitted at one point) this flight of drilling rigs was taking place largely because there was an oversupply of them in western Canada combined with a surplus of natural gas.[31] In the case of FIRA, Washington accused Ottawa of violating GATT agreements.

The U.S. government did not hesitate to use other areas of friction in Canadian-U.S. relations to force the Canadian government to retreat. The U.S. government refused to accept the revision of the Auto Pact, a trade and production agreement which proved to be disadvantageous

to Canada. It pretended that acid rain was not a real problem. It passed regulations which discriminated against Canadian truckers transporting goods across the United States. It supported its corporate friends in the prevention of the takeover of some major U.S. firms by Canadian monopolies. It picked fights with Canada over the off-shore fisheries.

U.S. imperialism has no lack of Canadian allies in its fight against Canadian government policies it does not like. In some cases, Canadian monopolies have, politically and ideologically, become so closely tied to U.S. imperialism that they have become virtual mouthpieces of U.S. interests in Canada. These strongly pro-U.S. forces include the Conservative Party and some elements of the Liberal Party. The *Globe and Mail*, for example, which is the chief newspaper of the Thomson group, has an editorial line which is openly anti-labor, pro-big business and against state social programs. It speaks for the pro-U.S. Canadian monopolies. Its reactionary politics combines vociferous opposition to FIRA and the NEP with wholehearted support for U.S. foreign and economic policies. It argues that foreign investment is good for Canada even though the reality is that foreign investment has led to the underdevelopment of the manufacturing sector, bled Canada of badly needed capital, brought about a negative balance of international payments and increased unemployment. It is an almost unconditional supporter of U.S. imperialist ambitions to achieve nuclear superiority over the Soviet Union and consequently is a proponent of the arms race and the testing of the cruise missile in Canada. In essence, this right-wing, pro-U.S. position, which is representative of a large section of Canadian monopoly, is anti-Canadian and anti-democratic. It is a position which represents the outright betrayal of Canada's sovereignty and independence.

In all respects, the relationship between Canada and the United States is an unequal one in which the interests of the U.S. transnationals predominate. When there is a conflict between the two countries, Canada is usually the loser. While the federal government has so far succeeded in preserving its inadequate FIRA and the NEP, the gains made by the U.S. transnationals and the U.S. government have been greater. The Canadian government has promised to streamline FIRA so as to remove bureaucratic obstacles to the entry of foreign investment into Canada. It has diluted the Canadian ownership provisions of the NEP, has been careful to avoid the takeover of any U.S. oil majors and has indicated that it will no longer vigorously pursue its Canadianization policies. It is interesting to note that the large oil companies taken over by state-owned Petro-Canada (Petrofina and British Petroleum) and the CDC (Elf Aquitaine) were European and not American. Canada has yet to win anything more than words from the U.S. government on the issues of acid rain, the pollution of the Great Lakes and the fisheries. Under pressure from the U.S. government, the Canadian government has agreed to increase defense spending as a share of total federal spending, even though such expenditure will worsen budgetary deficits.[32] In the summer of 1983, the Trudeau government signed an umbrella agreement for the testing of U.S. weapons in Canada. It has begun implementation of this agreement by agreeing to test the cruise missile. This is both an unfriendly act against the Soviet Union and a step toward nuclear annihilation.

All the evidence — economic, political, military — points to one conclusion: Canadian monopoly, willingly and unwillingly, is often forced by U.S. imperialism to adopt policies which further the interests of the U.S. military-industrial complex but which are inimical to Canadian independence and world peace. The past and recent history of Canadian monopoly suggests that it is incapable of consistent defense of Canada's national interests and those of its people. World peace is the most fundamental of those interests.

So far this brief has established the following: (1) monopoly holds economic and state power; the corollary is that the state does not stand above class conflict in Canada and in fact actively defends the economic and political interests of monopoly capitalism; (2) monopoly's prime aim is the maximization of profit, with the state serving a supplementary role in this respect; and (3) despite occasional divergence based on conflicting profit motives, the dominant section of Canadian monopoly capital usually subordinates itself to U.S. imperialism and is incapable of taking Canada on a course of genuinely independent economic and political development. In short, Canadian monopoly is not a force on which the Canadian people can rely. Motivated by the selfish drive for profits, monopoly, whether Canadian or foreign, is a force that negates the fundamental interests of the working people for peace, jobs, security and a decent living standard.

Technological Change and Unemployment

Technological change increases both real productivity and productive capacity. For example, in 1960, each Canadian auto worker assembled an average 20 vehicles a year; in 1980, the ratio increased to more than 1:41 a year.[33] Under capitalism, however, technological change is used for the specific purpose of increasing corporate profit margins either by producing more goods and services with relatively fewer workers or by producing the same amount of goods and services with absolutely fewer workers. As a matter of fact, in at least some industries, technological change is making it possible to produce more goods and services with absolutely fewer workers.

For big business, the replacement of workers with the latest technology is a profitable undertaking as long as it cuts down "production costs" and thereby increases the profit margin. Also, machines do not strike, never take paid holidays and vacations, require no fringe benefits and never demand higher wages or shorter working hours. The minimization of these demands is seen by big businessmen as another means of increasing corporate profitability. For the workers, on the other hand, technological change means unemployment.

Up to now, technological change has had an uneven impact on various Canadian industries. In the auto industry, there was a steady growth in the number of jobs until 1979 when there were 39,000 assembly line workers. Since then, the number has dropped sharply, due to both the crisis and automation. The impact of the crisis on the auto parts industry has been even greater.

In industries such as smelting and refining (which includes the nickel industry) and iron and steel, large increases in production have been made while keeping the number of employed workers at more or less the same level. The number of workers employed in smelting and refining in 1980 was almost the same as in 1965. In the 10 years ending in 1981, primary metal production increased almost 27 per cent.[34]

Then there is the third group of industries where the number of jobs is actually being reduced while production and capacity grow. In the railway industry, the substantial growth in transportation capacity has been accompanied by a decline in jobs, from over 200,000 30 years ago, to 94,000 in 1978. In the forestry industry, there were 101,000 workers in 1951 but only 58,000 in 1978.

An analysis of employment trends in the industrial sector of the economy indicates that what previously seemed to affect only some branches of the economy is in fact becoming a generalized trend whose impact is felt unevenly from industry to industry. In all industries, technological change is increasing real productivity while reducing the need for labor.

In the past, the slowdown in the creation of industrial jobs was to a large degree compensated for by the creation of non-industrial jobs, that is, white-collar workers and professions such as teachers, technicians, health care workers and employees in finance and trade. This growth occurred because of the growing complexity of modern economic life, the ever deepening involvement of all levels of government in the economy and society as a whole, the prosperity of the 1950s and 1960s, and not least the gains by Canada's working people of more accessible education, health care, etc. Between 1951 and

1978, 2,300,000 non-industrial jobs were created compared to 700,000 industrial jobs.

The introduction of microchip technology is accelerating the process of replacing workers with machines. Its impact is particularly felt in the commercial and financial sectors where large numbers of women, usually low-paid, are employed.

Until the 1970s, the impact of technological change on clerical and some white-collar workers was marginal. Although computers were introduced in the early 1960s in Canada, their use tended to be restricted to government and the huge corporations which could afford them. Computers improved efficiency and any negative impact they had on jobs was counteracted by the demands of an expanding economy.

Microchip technology has radically changed all this. It is not only technically more advanced but also very much cheaper. What once required a room-sized computer can now be accomplished by a desk top microprocessor with silicon chips the size of a finger nail. It has become economical for even small companies to replace their low-paid employees with the latest in microchip technology.

The impact on white-collar jobs held by women has been particularly devastating. Clerical employment, for example, increased 33.4 per cent during the 1971-75 period, but from 1975 to 1979 the growth rate dropped sharply to 12 per cent.[35] The accelerated introduction of such technology means an accelerated loss of jobs. Indeed, a recent study done for the Conference Board of Canada by Ernest Stokes predicted that the service sector, which in recent years provided the largest number of new jobs, would begin to contract.[36]

Using technological change to increase profit margins accelerates the tendency of unemployment to increase. Not only the numbers of unemployed but also the rate of unemployment have been growing steadily since the mid-1960s *independently of the economic cycle of recessions and upswings*. Whole categories of jobs, from the auto assembly line to the insurance company office, are being eliminated or threatened with elimination. The new jobs which are created by technology simply do not compensate for the losses. That this trend will continue was predicted in a confidential study done for Economic Development Minister Donald Johnston in early 1983. According to this study, one to two million jobs will disappear by 1991 due to technological change. In addition, "in all likelihood the new technology will not create enough new jobs to replace those that evaporate."[37] The study concluded that there is a very real possibility for the unemployment rate to be as high as 15 per cent by 1991.

Officially, there are about 1.5 million unemployed Canadians or about 12 per cent of the work force. In actual fact, unemployment is much worse because the official figures exclude important categories such as those who want work but have given up looking because of the lack of jobs and those who work part-time because they have been unable to find full-time work. Statistics Canada recently admitted that the real unemployment rate is at least 15 per cent. An independent analysis of Statscan's figures indicated that the unemployment rate is actually about 16.3 per cent, an estimate which the *Globe and Mail* referred to as "widely accepted."[38] The Social Planning Council of Metropolitan Toronto estimated that there are more than 2.3 million jobless workers, that is, 19.4 per cent.[39]

Whatever the figure, one fact comes through clearly: unemployment is high and rising in Canada. It means a sharply reduced living standard for millions of Canadians as well as poverty and destitution for hundreds of thousands. Rather than taking measures to alleviate unemployment, the big corporations and the monopoly dominated governments are creating mass unemployment and taking advantage of this to press an offensive against workers who still have jobs with the aim of reducing wage demands and extracting other concessions. Like the introduction of new technology, this offensive is geared toward reducing "production costs" and increasing profit margins at the expense of wages and salaries.

While the new technology makes it possible to produce more goods and services with fewer workers, it also exacerbates the already existing tendency toward periodic economic crises. Recessions are tending to occur more frequently and to be deeper and longer while expansions are becoming shallow and short-lived.

For the 13-year period beginning in 1962 (roughly when computers were first being introduced) to 1974, Canada's real domestic product grew by more than four per cent in every year except 1967 (3.5 per cent) and 1970 (2.4 per cent). From 1975 to 1982, a period of eight years, only 1976 saw a growth rate of greater than four per cent.[39]

The real GNP reflects the same pattern. According to the *Financial Post* (and there are disagreements on this), the last three expansions lasted 160 months (February 1961 to May 1974), 55 months (April 1975 to October 1979) and 12 months (July 1980 to June 1981). In contrast, the last three recessions lasted 10 months (June 1974 to March 1975), 8 months (November 1979 to June 1980) and 16 months (July 1981 to October 1982). The last recession is also the longest and deepest of the post-war period.[40]

All these recessions are crises of overproduction in which the production of goods and services outstrips the ability of the domestic and international markets to absorb them. As a result, inventories build up; production is cut back; and lay-offs take place. In other words, technological change in the conditions of monopoly capitalism sharpens the contradiction between Canada's growing economic potential and the relative (and in recent years absolute) shrinking of the market.

Table VI illustrates how the crisis of overproduction operates in the manufacturing sector. Firstly, it should be noted that the ratio between total inventories held and shipments, measures the difference between manufactured goods which are absorbed by the market as indicated by shipments and the total inventory which includes both shipped and unshipped manufactured goods. The peaks occur in 1967, 1970, 1975 and 1980. The peak in 1967 was accompanied by a slowdown in the growth rate of the real domestic product in manufacturing. The other three years coincide with real declines. In other words, when unshipped inventories built up to a peak, cutbacks in production followed. Production cutbacks were accompanied by two to three years of cutbacks or stagnation in the creation of jobs in the manufacturing industries.

Conversely, when inventories fell, production and employment increased.

By increasing productivity and productive capacity, technological change in the conditions of private monopoly ownership not only increases unemployment in the long term but it also creates crises of overproduction and short-term fluctuations in unemployment. The faster the pace of technological change, the greater are prospects of more serious crises and more unemployment. This demonstrates the fact that technological change on the basis of increasing profit margins is at the root of economic crises and unemployment. It means in short that monopoly's private profit is an enemy of working people's jobs.

Since monopoly domination is at the root of economic crises and

TABLE VI

Comparisons of Real Domestic Product, Inventories and Estimates of Employees in Manufacturing, 1965-1980

Year	Ratio of total inventories held to shipments	Gross Domestic product (percentage change)	Estimates of employees (percentage change)
1965	2.11	9.1	4.6
1966	2.08	7.5	5.3
1967	2.28	2.9	0.2
1968	2.12	6.2	-0.2
1969	2.11	7.5	2.4
1970	2.23	-1.4	-1.8
1971	2.08	5.8	-0.5
1972	1.97	7.1	2.4
1973	1.88	9.8	5.8
1974	1.99	3.7	3.5
1975	2.22	-6.3	-4.5
1976	2.13	5.5	1.0
1977	2.09	1.3	0.1
1978	1.94	5.7	1.6
1979	1.96	3.9	3.9
1980	2.12	-2.9	-1.2

Compiled from **Economic Review April 1981** (Ottawa, 1981), pp. 139, 142 and 151.

mass unemployment, we reject propagandistic attempts to blame the demands of working people for jobs and decent living standards as the cause of Canada's economic problems; working people are in fact the victims and not the cause. To the extent that the state upholds the interests of the monopolies and transnationals, the federal and provincial governments will not be able to solve Canada's economic and social problems. These problems are only partly the result of economic mismanagement, rather they stem from policies which advance the interests of big business.

Consequently, monopoly's solutions prove to be no solution at all. Instead, they are designed to support corporate profits at the expense of the working people. They are therefore solutions which make Canada's problems even worse. Indeed, fundamental to the nature of the capitalist social and economic system is that the profits of the privately owned corporations take precedence over and are realized at the expense of the jobs and incomes of the workers. Although Canadian working people are the actual producers of Canada's wealth, private ownership of the main means of producing wealth has conferred on a relatively small number of capitalists, especially monopoly capitalists, the power and the "right" to appropriate this wealth for themselves.

Attempts to persuade Canadian working people that wage controls will save jobs is empty propaganda. In fact, because wage controls reduce real incomes, they are a guarantee that more jobs will be lost. Work-sharing schemes are nothing more than gimmicks designed to mask unemployment at the expense of the jobs and incomes of employed workers. Federal and provincial job creation programs are invariably measures having no impact on unemployment. At best, they have proven to be temporary measures giving the appearance that government is doing something for the unemployed.

Inflation and Wage Controls

For the last 12 years, Canada has experienced high levels of inflation which, particularly in the last few years, have resulted in the erosion of real income of millions of Canadians. Governments and big business promised "to wrestle inflation to the ground." A whole array of arguments was advanced to explain inflation and a number of measures implemented allegedly to bring down inflation. The result of monopoly's fight against inflation during the late 1970s and early 1980s was the worst economic crisis in Canada's post-war history — decline in real production, mass unemployment and continuing inflation.

The failure to explain, let alone solve the problem of high inflation, is indicative of the unwillingness and inability of monopoly capitalists and the governments they dominate to recognize or understand that the source of inflation, like the source of economic crises and unemployment, lies in the very nature of monopoly capitalism, specifically the drive for profits.

Keynesianism, for 30 years the dominant economic theory in Canada, argued that the state, through its budget and tax system, had the levers to intervene in the economy to regulate the economic cycle of expansions and recessions and guarantee more or less continuous economic growth. If economic growth threatened to fuel inflation, fiscal measures such as increasing taxes, austerity in government spending and so on, could be implemented to cool demand and slow down economic growth. It was conceded that unemployment would increase but this was considered a necessary evil in order to sustain growth, albeit at a lower level, while keeping down inflation. If there were signs of recession, the government could increase effective demand through deficit spending and tax relief. Inflation would increase as a consequence of greater demand. In short, inflation and unemployment were supposed to rise or fall in inverse relationship to each other.

However, both inflation and unemployment rose steadily during the 1970s. By 1981, both stood above 12 per cent. As a result Keynesianism fell into disfavor among monopoly economists and government policy-makers. Some became post-Keynesians who "support the tradition of economic intervention in an economy that is *inherently unable* to achieve a non-inflationary full-employment equilibrium"[41] (our emphasis). In other words, they are willing to live with higher unemployment and inflation although they still believe that fiscal policies are the determining factor in keeping them under control. Others became monetarists, who believe that economic stability can be achieved by controlling the growth rate of the money supply and by subordinating fiscal policies to this end.

Another difference separating post-Keynesians and monetarists is that the former see the state as the leader in economic affairs while the latter see private business in that role.

Post-Keynesians and monetarists differ not so much in substance as in emphasis. Both contend that inflation is the result of excess demand in the forms of consumer spending and state budget deficits. Both put forward solutions which accord with the interests of monopoly capital. They differ on how inflation is to be controlled. The post-Keynesians believe that inflation has to be fought through fiscal restraint, specifically wage controls or some form of tax-based incomes policy. This is supposed to slow down effective demand leading to the curtailment of the money supply growth rate and therefore to a decline in the rate of inflation. The monetarists place their main emphasis on a direct reduction of the money supply growth rate by setting and meeting specific targets. The Bank of Canada is thus given the main responsibility for fighting inflation.

In practice, when the Trudeau government abandoned Keynesianism in the mid 1970s, it took a strictly pragmatic approach to the controversy between post-Keynesianism and monetarism. It adopted both. Wage controls were imposed in 1975 and again in 1982. The monetarist policy of reducing the money supply growth rate was implemented in 1976.

Monetarism utterly failed to control inflation. According to A.W. Donner and D.D. Peters, "on the basis of the monetary targets and the actual money supply growth rates since 1975, the Bank (of Canada — *author*) had achieved its objectives."[42] Table VII shows that the money supply (M1 or currency and demand deposits) growth rate was reduced from 13.7 per cent in 1975 to 3.4 per cent in 1981. *Yet this achievement did not lead to a reduction in the inflation rate; instead, inflation reached a near record in 1981.*

The excessive growth of the money supply can only be explained in terms of monopoly price increases over and above real increases in the gross domestic product, the purpose of which is to increase corporate profit margins. Monopolies and the governments they dominate have the economic and political power to bring about such price increases; working people do not.

This brief has already touched on the question of monopoly price determination. It is useful, however, to reiterate that the existence of a

TABLE VII

Year	Money supply growth rate	Consumer price index	Gross domestic product in constant 1971 dollars (percentage change)
1975	13.7	10.8	0.9
1976	8.1	7.5	5.0
1977	8.4	8.0	2.9
1978	10.1	8.9	3.3
1979	7.2	9.1	3.6
1980	6.4	10.2	0.3
1981	3.4	12.5	2.6

Compiled from **Economic Review April 1981** (Ottawa, 1981), pp. 164 and 216; **Financial Post**, January 23, 1982; and **Economic Review April 1982** (Ottawa, 1982), p. 152.

small handful of huge corporations in most branches of the Canadian economy facilitates the upward fixing of prices. The Bertrand study of the Canadian petroleum industry made this perfectly clear. The same situation exists in other industries. General Motors, for example, is the traditional price leader of the North American auto industry. Loblaws and Dominion Stores serve the same function in the retail food industry. Tacit, if not explicit, collusion exists among these firms as a matter of course. Competition has been transferred from the realm of prices to more sublimated forms such as attempting to win a larger share of the market through advertising. Monopoly's ability to increase prices virtually at will is a powerful tool in the drive to maximize profits.

Monopoly profiteering through price increases receives the sanction and assistance of the state. During the 1970s, for example, the federal government and several uranium companies formed a cartel which artificially held up world uranium prices. Privately owned Bell Canada consistently receives permission from the Canadian Radio-television and Telecommunications Commission (CRTC) to increase its charges to customers. As a consequence, the recession has had no effect on Bell Canada's profits. In 1981, the federal and Alberta governments reached an agreement with the oil and gas companies to bring Canadian prices closer to world market levels. These price increases subsequently reverberated throughout the economy.

Monopoly's use of the state budget to support the profit motive also causes inflation.

In 1981, total government expenditures (federal, provincial, and municipal) amounted to almost 140 billion dollars. It is a huge, guaranteed and therefore very attractive market for big business. Monopoly benefits either directly from state purchases, contracts and subsidies, or indirectly through transfer payments for health and education and payments to individuals in the form of civil service salaries, pensions and other social benefits. In one way or another, a large part of these payments ultimately find their way into the coffers of the large corporations.

Such a guaranteed market is a major factor in sustaining a high level of demand for goods and services from the private sector. It encourages big business to take advantage of the situation to raise prices and ensure a high rate of profit. Most Canadians are familiar with the tendency of government sponsored projects (such as Montreal's Olympic Stadium, Ontario's nuclear generating plants and the federal government's support for Syncrude) to cost far in excess of original estimates. This means huge profits for the private contractors but it also inflates government expenditures and contributes to huge government deficits.

The problem of government deficits is exacerbated by the pro-monopoly taxation policies of the government. We noted earlier in this brief that ordinary taxpayers have over the years carried an increasingly larger burden of the taxes while the corporate share has declined sharply. Corporations have the advantages of favorable tax provisions, tax breaks, loopholes and high-priced lawyers to help them escape taxes and thereby maximize profits.

Government deficits can be met in several ways: cutting back expenditures, increasing revenues, borrowing and increasing the money supply. In practice, all these are carried out but in a way which actually worsens government deficits and fuels inflation.

Direct taxes on corporations, direct taxes on individuals and indirect taxes such as those on sales and luxury items are the main source of government revenue.

Although both individuals and corporations appear to pay indirect taxes, in reality the main burden falls on the individual consumer. Big business has the economic leverage to pass on the "cost" of indirect taxes in the price of goods and services.

Table II shows that the share of corporate taxes is still declining. In 1947, 17.7 per cent of government revenues was derived from direct taxes on corporations. By 1981, this was reduced to 8.8 per cent. Since monopoly holds state power, it does not and will not make big business pay a larger share of the taxes.

Although direct taxes on individuals have increased sharply over the years, there is a limit. The conservative Fraser Institute in Vancouver estimated that the average British Columbia family pays 41 per cent of its income to government in the form of direct and indirect taxes — that is, more than it does for the necessities of food, clothing and housing combined.[43] A similar situation exists in the rest of Canada.

In their bid to close the gap between revenues and expenditures without affecting profits, the federal, provincial and municipal governments have resorted to extensive cutbacks in areas which have the least effect on corporate profit — education, health, transfer payments to the needy and the social services. On the other hand, areas directly supporting monopoly profits such as the military and armaments are not only exempt from cutbacks but are increasing rapidly. A particular danger facing Canada is the Pentagon's attempts to tie Canada even more closely to the military side of the U.S. economy, thus making Canada more dependent on U.S. "good will" and therefore more subject to the political and economic domination of U.S. imperialism.

The second method being used to close the gap is to borrow money. In the long run, however, the interest that has to be paid by government on the debt, forces government expenditures to expand as total debt obligations accumulate. In 1970, total interest paid on the public debt by all three levels of government was 3.25 billion dollars, almost twice the 1.87 billion dollars spent on the military and armaments. In 1981, the total interest paid was 20.51 billion dollars, approaching four times the 5.74 billion dollars spent for military purposes.

Together, interest payments and military expenditures create a vicious circle of an ever expanding debt and put extremely strong pressure on governments to curtail social programs even more and increase direct and indirect taxes on individuals. This redistribution of the national income away from working people has the effect of reducing their purchasing power, leads to a shrinking of the domestic market and exacerbates the economic crisis.

To meet all its spending obligations, the state is put in a position where it has to "print more money" through the Bank of Canada. This puts money into circulation which represents no real value in goods and services and therefore diminishes the value or purchasing power of the dollar. It is no accident that the jump in the inflation rate in the latter half of the 1970s coincided with the biggest federal budget deficits in Canada's post-war history.

The pro-monopoly orientation of the state, which is directed toward supporting monopoly profits, is responsible for government deficits and the inflation that results therefrom.

Several factors exist which influence but do not cause inflation. Interest rates, for example, can and do contribute to inflation. Big corporations who borrow from the banks pass on the "cost" of interest to the consumer in the form of higher prices. Banks and other financial institutions contribute to inflation (and recession) by charging high interest rates on consumer loans and mortgages. Furthermore, a very wide gap has developed between interest rates charged to individual borrowers and those paid on their deposits. Not surprisingly, bank profits have been higher than in almost all other branches of the economy.

Canada's overwhelming dependence on the U.S. economy is another factor aggravating inflation in Canada. In the USA, record deficits are occurring because of huge tax concessions to big business and the vastly expanded program of military expenditures. While militarization of the U.S. economy means huge profits for the military-industrial complex, it also acts as a powerful impetus toward higher inflation. As a U.S. branch plant country, Canada is particularly sensitive to inflationary pressures emanating from the United States.

Inflation promotes profits at the expense of living standards. In other words, it serves the interests of the monopolies because it widens the gap between "production costs" and selling price. In this context, the government's so-called fight against inflation provides a cover for an attack on wages and salaries.

Table VIII establishes that there is a direct relationship between inflation, corporate profits and pro-monopoly government policies. In the early 1970s, growing inflation translated into substantial increases in corporate profits. When corporate profitability was hurt by the 1975 recession, the government obliged the business community by imposing wage controls. This helped to reverse the decline in profits. By themselves, however, wage controls did not bring up profitability to the level of the early 1970s. High interest rates, which swelled the profits of the banks and other financial institutions, did, however, succeed in bringing up the general level of profit.

But recession set in again in 1980 with the result that sales shrank and with them profits. However, this time wage controls were imposed only on the public sector; the crisis proved to be so deep that wage controls were unnecessary in the private sector. Many companies, for example Chrysler, were able to force their workers to make concessions on wages and fringe benefits. This reduced labor costs and subsequently enabled profits to recover.

The social and economic consequences of government and corporate policies directed toward supporting corporate profits at the expense of wages and salaries have been enormous. Real personal incomes have been stagnant or have declined in every year since 1977. Inflation has been reduced by forcibly curtailing effective demand in the form of consumer spending. Since fighting inflation at the expense of real personal incomes does not get to the source of inflation — the monopoly drive for profit — the reduced inflation rate of the recent period will be only a temporary phenomenon.

Tens of thousands of farmers and small businessmen have gone bankrupt because of usurious interest rates, falling demand and inflation. In 1981, business failures were almost at the record level established in 1932, one of the worst years of the Great Depression.[44] The net result is economic stagnation, mass unemployment and declining living standards. All this leads to a shrinkage of the domestic market.

TABLE VIII

Correlation between Profit Levels, Inflation and Government Policy

Year	Corporate profits before taxes (percentage change)	Consumer price index	Government policy put in place
1971	12.8	2.9	
1972	24.4	4.8	
1973	42.8	7.6	
1974	30.1	10.9	
1975	-2.0	10.8	
1976	1.6	7.5	First full year of wage controls.
1977	5.5	8.0	
1978	20.2	8.9	
1979	35.4	9.1	First full year of high interest rates.
1980	8.6	10.2	
1981	-13.5	12.5	
1982	-33.0	10.8	Reintroduction of wage controls.

Compiled from: **Economic Review April 1981** (Ottawa, 1981), pp. 116 and 164; **Globe and Mail**, March 23, 1982; and **Financial Post**, January 23, 1982 and March 19, 1983.

What Kind of Recovery?

The first six months of 1983 showed signs of what the mass media have characterized as an economic recovery. This conclusion is based on the fact that economic growth was 7.2 per cent and that profits have rebounded substantially.

However, the recovery is showing signs of slowing down and sliding back into recession. So far, most of the gain has been due to increased exports and to the fact that consumers in Ontario dipped into their savings to take advantage of the Ontario government's temporary sales tax holiday on certain major consumer items.

The immediate basis for any recovery is increased spending. According to *The Financial Post* of July 30, 1983, "the main factors determining length and strength of recoveries are government policy, consumer spending and business capital outlays. And in this recovery, none of these is expected to be a strong positive force."

(1) Business capital spending: Since the capacity utilization rate was 67.2 per cent in the first quarter of 1983, there is no incentive to invest in new plant and equipment. Instead, companies have "shown a preference for keeping their work forces down, locking in productivity gains and improving profit margins."[45] What business capital spending has taken place, has been directed toward capital-intensive new technology resulting in no net gain in employment. These productivity improvements are a major factor in the discouraging outlook for jobs. As Thomas Maxwell, chief economist of the Conference Board of Canada so succinctly summarized, the outlook for unemployment rates in the long-term is "bloody depressing."[46]

(2) Government policy: Interest rates are expected to creep up and this will tend to curb both consumer and business spending. Furthermore, the large federal deficit is a factor discouraging the use of the budget as a means of stimulating economic growth; it would encourage inflation to rise again.

(3) Consumer spending: Real personal disposable incomes have declined because of the success of federal and provincial wage restraint programs, increased taxes on individuals and continuing inflation. Since 1977, wages and salaries have not kept up with inflation, a trend which continued into 1983.[47] "In addition, a further negative factor, also of the government's making, has been the extra taxes imposed on Canadians this year. These have acted as a further dampener to income growth and to consumer spending."[48] *The Financial Post* therefore concluded that "the outlook is for sluggish growth in consumer spending, despite some decline in the savings rate."[49]

Monopoly's economists recognize that what is needed to sustain recovery "is a greater push on the consumer spending side since this is what makes the major contribution to gains in the GNP."[50] Thus government and business policies which put people out of work and which bring about a decline in real disposable incomes are self-defeating. By shrinking the domestic market, particularly as it relates to consumer spending, they create the conditions for a short and shallow recovery followed by a recession that is likely to be as severe, if not worse, than the last one. Furthermore, the decline in the purchasing power of Canada's working people will ultimately hurt profits as well. Stimulated by the new technology, inventories will build up beyond the capacity of the domestic market to absorb them, thus leading to a new round of lay-offs. Federal and provincial governments will find it difficult to increase revenues through direct and indirect taxes on individuals without creating enormous political difficulties for themselves. Given the unwillingness of monopoly dominated governments to tax the corporations, the only other alternative would be to increase government deficits, thereby fueling inflation.

Since economic expansion on the basis of the domestic market is at best severely limited, government and big business have oriented on the idea that economic growth can be achieved by improving Canada's international competitive position. The expectation is that improved competitiveness will result in the growth of sales abroad, a growth that would compensate for the stagnation of sales at home.

A closer analysis of this alternative reveals some serious limitations and problems. Firstly, measures taken to improve Canada's international competitive position, particularly in the area of manufacturing and high technology, are likely to be cancelled out by similar measures taken by other governments. Many of these countries, particularly the United States and Japan, have the economic and technological clout to frustrate any Canadian attempt in this direction. In fact, the world capitalist division of labor has largely assigned Canada the role of being a supplier of raw materials, a role which militates against the creation of jobs in Canada, reinforces the underdevelopment of Canada's manufacturing sector, and worsens Canada's balance of payments problems. Despite this, Phil Barter, chairman of the Vancouver Board of Trade advised this Royal Commission that "there's nothing wrong with being good hewers of wood and drawers of water."[51] It is a position of outright betrayal of the interests of Canada and its people.

Secondly, most of the growth of exports in the first half of 1983 was the result of the expansion of the U.S. economy. But as we have already pointed out in this brief, Canada's integration into and dependence on the U.S. economy actually does more harm than good. Any short-term benefit Canada might derive from an upturn in the

U.S. economy is more than cancelled out by the long-term losses in jobs and capital. Furthermore, the U.S. economy has all the potential of sliding back into a recession, a recession that is programmed into that country's economy by the self-serving, profit-hungry domination of monopoly capital in the form of the military-industrial complex. Some business leaders have expressed the belief that Canada would benefit from the extension of free trade into other branches of the economy besides farm implements and motor vehicles and parts. However, such a measure would put even larger sections of the Canadian economy under complete U.S. transnational control and would further undermine Canada's sovereignty and independence. The Auto Pact is a good example of what integration really means for Canada: major decisions made in the USA, a trade balance which favors the USA more and more, and growing balance of payments problems.

Thirdly, big business favors increasing Canada's international competitive position at the expense of jobs and incomes. Canadian workers are often asked to forego wage increases so that Canadian products will be competitive on the international market. By blaming wages for the high price of Canadian goods, big business and government hope to divert attention from the big profits that corporations in Canada gain from exports abroad. Never is there anything said about keeping the prices of Canadian products down by way of lowering profit margins. It illustrates the fact that Canada's ruling circles will not change the sanctity of private corporate profit. At the same time, every effort is made by government and the big corporations to increase Canada's competitive position through higher productivity and pitting the workers against each other. But as one economist pointed out, "higher productivity means fewer jobs per dollar of output and a reduction in the economy's manpower requirements."[52] In other words, asking Canadian workers to help Canada's international competitive position amounts to asking them to sacrifice jobs and incomes for the sake of the profitability of corporations in Canada. It is yet another example of the priority that is given to corporate profits rather than to the real interests of Canada's working people.

What particularly concerns the Communist Party of Canada, is that tying Canada more closely to U.S. imperialism seems to be becoming the policy now of both the dominant sections of big business and the government. These sections have put forward the demand for free trade in the hope that the crisis can be overcome through expansion into the U.S. market. The Conservative Party seems bent on abandoning most if not all protection for Canadian industry through wide ranging free trade agreements with the USA. It is a policy which can only exacerbate Canada's economic problems. Instead, what Canada needs is a policy of mutually advantageous trade with most countries, especially the socialist and developing countries. In this respect, we welcome the Trudeau government's attempts, limited in scope as they are, to develop a more equitable international economic order as it relates to trade and economic relations between the developed capitalist countries and the disadvantaged developing countries.

Monopoly Undermines Democracy

The question of democracy and democratic rights must be seen within the context of two of this brief's most fundamental themes. Firstly, Canada's economic and social problems are directly attributable to the domination of monopoly capital over both the economy and the state, problems which are exacerbated by Canada's economic, political and military subservience to U.S. imperialism. Secondly, the monopoly drive for profit is irreconcilably opposed to the fundamental interests (jobs and a decent living standard) of the vast majority of the Canadian people. It follows from these that on a political and legal plane the state will take measures which defend the pockets of big business while curbing the ability of working people to do the same. If this has meant subverting democracy, so be it.

Canada's history is replete with examples of actions taken against the rights of the working people. We draw attention to two significant historical examples. Adopted in 1918 by a reactionary Parliament feeling extremely paranoid about the prospect of Canada's workers following the example of the Russian Revolution, the War Measures Act has been used mainly for the repression of the labor and progressive movements (1918-23 and 1939-42) and the national democratic movement in Quebec (1970). The labor and progressive movements have known for decades that the RCMP has difficulty in distinguishing between criminals and those who defend the rights of labor. The Macdonald Royal Commission investigating the covert and illegal activities of the RCMP against the labor, progressive and national democratic movements has provided voluminous evidence of the state's propensity to regard those who defend the working people as subversives.

As this brief previously noted, in the last 10 years, both government and big business have oriented more and more openly and frequently on a policy of using the authority of the state to increase profit margins at the expense of the living standards and jobs of the vast majority of the Canadian people. This policy has evoked in its turn considerable resistance from workers and other social groups affected by them as can be seen in the fact that during the 1980-82 period Canada had the highest strike record of the 24 OECD countries.[53] But rather than taking measures which would relieve economic stress on working people, both federal and provincial governments have replied with more concerted efforts to impose wage and salary controls, frustrate strikes, violate collective agreements and undermine labor's hard-won rights in the sphere of labor legislation. These include, to cite three examples, the federal government's 6 & 5 program, Quebec's Bill 105 and British Columbia's post-election budget and legislative program. It is highly significant that Bennett's legislative program included measures which would substantially curb what limited rights labor in British Columbia does enjoy, and has already led to the abolition of the Human Rights Commission. The Bennett government's measures are the logical and by no means final consequences of the pro-monopoly and anti-labor policies which to one degree or another characterize the federal and virtually all the provincial governments. Measures to restrict the rights of labor are aimed at weakening the organized labor movement as much as possible so as to create the optimum conditions for the exploitation of the workers and the unbridled pursuit of maximum profits. In their relations with the labor movement, big business and the state are becoming more and more openly anti-labor and authoritarian.

In view of the conflicting real interests which are basic to the relationship between labor and capital as well as the fact that big business enjoys state and economic power, it is to be expected that the corporations will use their power in their own profit-hungry interest. This is what lies behind the tendency of governments to restrict all forms of rights, particularly those of labor. At the same time, monopoly makes frequent attempts to co-opt some trade union leaders into various forms of cooperation with business and government. We reject tripartism in all its forms because it is a means of integrating the labor movement into the state-monopoly capitalist system. It is a way of making the organized labor movement an appendage of monopoly's drive for profit. The carrot of tripartism and the stick of authoritarianism are both used to prevent the working class from acting in its own interests and to ensure the preservation of the monopoly capitalist economic and social system.

Monopoly's basic contempt for democratic rights of any sort is also illustrated by the course and results of the constitutional debate. The mass media focused on the conflict between those who favored the centralization of constitutional and economic powers and those who wanted decentralization. In fact, the issues at stake were very much deeper.

The conflict between the federal and Ontario governments on the

one hand and most of the other provinces on the other reflects the existence of different interest groups within monopoly. This becomes clearer when we take into account the debate over the NEP and the much longer standing problem of regional development. The federal and Ontario governments seek to ensure a status quo in which most of Canada's manufacturing industry would remain concentrated in southern Ontario and the Montreal region. Its corollary is that the Atlantic and western provinces would remain suppliers of food and raw materials. Most of the provinces on the other hand want more constitutional and economic power so that they can develop a more diversified economy controlled by local capitalist interests. Legitimate regional complaints about Ottawa's economic policies are, however, used as a cover for making common cause with U.S. transnationals who feel threatened by what they perceive as Trudeau's excessive nationalism, particularly with respect to the oil and gas industry.

Ultimately, the conflict over the constitution was over who should benefit from the ownership of certain Canadian industries. It was an inner monopoly conflict in which the real interests of the working people were not seriously considered. The 'notwithstanding clause' undermines the Charter of Rights. The rights of labor and women were totally ignored. The rights of Native peoples received only cursory recognition.

The characterization of the constitutional debate as a federal-provincial conflict conveniently hid the profound antagonism that exists between Canada's two nations. Indeed, the federal government and the English-speaking provinces were unanimous not only in refusing to recognize French Canada's right to national self-determination but also in adding insult to injury by riding roughshod over its national aspirations and sensitivities. Although the national democratic struggle has abated somewhat because the Parti Québécois government has come out in defense of the interests of the big corporations, it is inevitable that a resurgence of the fight for national self-determination will take place.

The most significant result of the constitutional debate was the repatriation of the constitution. But as far as working people are concerned, it is a document which is weak on democratic rights, individual and collective and which continues to reflect the domination of monopoly capital over Canada's economic and political life. The very fact that Solicitor-General Robert Kaplan could introduce Bill C-157 to Parliament without worrying about its constitutionality is evidence of the fact that the repatriated constitution and its Charter of Rights are no obstacle to the erosion of civil rights.

Enormous as Canada's economic and political problems are, there are long and short term measures which can be implemented to bring about substantial improvements to Canada's economic and political situation. These measures cannot solve the fundamental problems of the capitalist system — that can only be done with the establishment of socialism — but they can go a long way to strengthening Canadian independence and overcoming major aspects of the economic crisis.

A Canadian Industrial Strategy

Canada needs an industrial strategy which will bring about fundamental changes in the orientation of the Canadian economy, changes which would end U.S. imperialist economic and political domination, substantially weaken those Canadian monopolies which seek to drive Canada to the economic and political right, tying Canada even more closely to U.S. imperialism, and which would strengthen Canadian independence. Although we believe that only socialism can guarantee these changes, there are measures which can be taken by the present government to achieve these aims. There are three existing options; we are proposing a fourth.

The existing options are as follows:

Option one: maintain the existing economic relationship by seeking exemptions from 'harmful' U.S. economic policies. But as C.E. Beigie and J.K. Stewart write, this option "is no longer tenable" because such a strategy "does little to resolve the structural faults in the Canadian economic performance. In addition, nothing akin to the previous level of United States goodwill exists today . . . Lastly, seeking exemptions is incompatible with Canada's aspirations for its sovereignty, given the economic and other policy restraints that it is thought must be observed to maintain the American disposition to grant them."[58]

Option two: closer integration with the United States. This position is advocated by right-wing business circles who argue that free trade with the United States will hurt some Canadian industries but will help others by opening up the huge U.S. market to the surviving Canadian industries. It glosses over the fact that Canada has been and is suffering dire economic and political consequences for its existing high degree of integration into and dependence on the U.S. economy. To integrate even more closely with the United States would be to worsen the problems and structural distortions which this integration has brought about so far. There can be no doubt that in any competition between Canada and U.S. firms over the same market, the USA will have the scale and financial resources to win. It is no accident that the advocates of the second option invariably express strong right-wing views in all other areas including social and foreign policy. It is a back-handed recognition of the fact that the implementation of the second option will worsen the economic and social conditions of Canada's people and will lead to social unrest. These right-wing circles propose to counter this possibility by undermining democratic rights on the one hand and by giving more powers to the police forces and more attention to the military on the other.

Closer integration with U.S. imperialism carries another price as well. Canada will be even more obliged to follow the U.S. lead in military and foreign policy, a policy which seeks to give the United States military superiority over the Soviet Union and impose a Pax Americana on the world. It means in effect tying Canada to the nuclear arms race, to a policy which is directed against world peace and détente.

Option three: a long-term strategy to strengthen Canadian economic independence and thereby reduce Canada's vulnerability to outside forces, particularly the USA. FIRA and NEP are attempts in this direction. However, as we have already noted, our support for this option is conditional because it is too limited in its scope. The third option has not resulted in any real substantive change in the structure of the economy, in its dependence on the U.S. economy and in its ability to provide jobs for Canadians and to satisfy their needs. At best, it repatriates some profits. In addition, government policies rest on the assumption that reasonably friendly relations with the United States are the indispensable condition for the development of the Canadian economy. Events since Reagan's election as President have shown that if the United States challenges this or that Canadian government policy strongly enough, the Canadian government will usually capitulate. In short, Canadian monopoly capital cannot be relied upon to carry through the fundamental changes that are required to guarantee Canadian economic independence and at the same time solve Canada's many economic and social problems.

The three options have three characteristics in common: (1) they are proposed by monopoly capital interests; (2) they do not take the pressing needs of Canada's people into account; and (3) they offer no real prospect for a solution to Canada's problems. They differ from each other in that the third option is 'nationalistic', the second represents the utter sell-out of Canada's national interests and is very right-wing in domestic and foreign policy, and the first is recognized by all as unworkable and untenable. **Our option**, *however, rejects big business as the vehicle for change in Canada, makes the needs of Canada's people and world peace its starting point, and proposes measures which will get at the root causes of Canada's problems.*

These measures must include:

1. Nationalization under democratic control of Canada's natural resources and the creation and expansion of state-owned secondary industries which will process and manufacture Canada's vast wealth in raw materials, in Canada.

2. Nationalization under democratic control of all transnationals, the banks and other financial institutions.

3. Stop the export of capital whether Canadian or U.S.

4. Foreign exchange controls and any other measure which may be necessary to counter foreign, especially U.S. retaliation.

The form of the nationalization and the amount of compensation to be given to the previous owners would depend on the specific circumstances of each individual case. In any case, these measures can only bear fruit if they are resolutely and rigorously implemented no matter what the opposition from big business at home or abroad.

The establishment and expansion of state-owned industries on the basis of a nationalized natural resources sector would serve three main purposes. Firstly, it would create tens of thousands of jobs for Canadians and would go a long way to putting an end to a situation where Canada is exporting jobs to the United States. Secondly, being less dependent on the United States for manufactured goods which could actually be produced in Canada would help overcome Canada's trade imbalance with the USA. In conjunction with this program, it would also be necessary to develop a Canadian, publicly owned auto industry, particularly in view of the fact that about half of Canada's trade in manufactured goods consists of motor vehicles and parts. The same applies to the development of a machine industry in Canada. If countries as small as Sweden can develop their own auto and machine industries, then Canada — which has a larger market and a greater need for autos — can do so as well. Thirdly, the repatriation of profits and dividends would be a major step in halting the outflow of capital from Canada and redressing Canada's balance of international payments problems.

The nationalization of the transnational corporations in Canada is a necessary part of the development of an independent Canadian manufacturing sector. Presently the transnationals enjoy enormous economic and political power and have the ability to undermine the economies and sovereignty of individual countries including Canada. They can close down plants and move them to other countries. They control huge amounts of currency and use them to speculate on national currencies, usually at the expense of the countries concerned. They make their corporate decisions on the basis of their profitability and not on the basis of the national interests of their host countries or the peoples of these countries. In fact, they have the power to disrupt national economies as happened in Chile just prior to the overthrow of the Allende government. The nationalization of the transnationals would keep Canadian-produced wealth in Canada, and greatly strengthen Canada's ability to control its own economy and develop it in accordance with Canada's needs and the needs of its people.

The nationalization of the banks and other financial institutions would put enormous financial resources at the disposal of the state and Canadian society as a whole. This is an indispensable condition for any government dedicated to securing genuine Canadian independence and meeting the needs of Canada's people. A publicly owned financial sector would enable the government to channel investment into more productive industries, specifically into rebuilding Canada's manufacturing sector. It would give governments much more money to support socially needed and useful projects such as a comprehensive and universal state-supported health care system, a universally accessible education system and a program for affordable non-profit housing. This means putting an end to the present policy of cutbacks on people's needs on all fronts. The huge profits that the privately owned banks and financial institutions are now obtaining could also be used to overcome budget deficits and pay off Canada's international obligations. Public ownership of all financial institutions would make it possible for Canada to pursue more independent monetary and interest policies, for example, making mortgages and consumer loans available to working people at much lower rates. This in turn would stimulate economic growth and so create jobs.

Public ownership of the financial institutions, the transnational corporations, natural resources and the rebuilding of the manufacturing sector on the basis of public ownership would go a long way to stemming the outflow of capital from Canada to foreign private interests. It will be recalled that in 1981, there was an *outflow* of direct foreign investment from Canada in the amount of 5.3 billion dollars, another 4.9 billion dollars originating in Canada was invested abroad, seven billion dollars net was paid out to foreigners in the form of interest and dividends and 6.2 billion dollars net went to foreigners mostly as service payments — a total net outflow of 23.4 billion dollars. Repatriation of this capital would sharply reduce the need to attract other forms of long-term investment, especially in the form of portfolio investment, as well as reduce the need to borrow funds from abroad to meet the public debt. The achievement of the latter measure would be a major contribution in reducing inflation and would be done even as government expenditures expand.

Reorganization of the Canadian economy on an anti-monopoly pro-people basis, on the basis of public ownership under democratic control of key sectors of the economy means jobs and higher living standards on the one hand and vastly increased revenues for all three levels of government on the other hand. In other words, profits would be going to the government and the people and not into the pockets of big businessmen. Democratic control means the direct participation of the working people in running the Canadian economy and in formulating economic policy. It means that the nationalized sectors would be used to satisfy the needs of the Canadian people and to strengthen Canadian independence.

We are very conscious of the fact that the measures we are proposing would likely invite retaliation from the U.S. transnationals and their government in Washington. Historical experience has shown that any government which decides to take a path of genuinely independent economic development is bound to face the hostility of U.S. imperialism.

Success in the implementation of an independent Canadian economic program depends on the decisiveness of the measures that Canada takes to counter the U.S. threat. The Canadian government would have to take any and all measures necessary to prevent or minimize U.S. economic and political sabotage. One of the most important and immediate of these measures would be the implementation of exchange controls as a means of minimizing the flight of capital from Canada.

We believe that the Canadian people will support the Canadian government should it decide to reorganize the economy on the basis of Canadian independence and the satisfaction of people's needs.

An Immediate Program for Jobs, Incomes and Economic Growth

There can be no sustainable economic growth or a real dent made on unemployment unless there is a substantial growth in real consumer spending. Such a program must be based on the satisfaction of people's needs and not on the considerations of corporate profit. It must therefore include:

1. Ending all wage and salary restraint programs;
2. Reducing the hours of work with no loss in take-home pay;
3. Legislation prohibiting plant closures and lay-offs without prior consultation and agreement with the trade unions and full compensation to the workers concerned;
4. A massive investment program of public works, affordable non-profit housing for low and middle income families and other job creating programs;
5. Expand economic and trade relations with the socialist and developing countries on a mutually satisfactory basis. The socialist countries in particular represent a growing, stable and secure market which would benefit Canada in a number of ways including new jobs.
6. Expansion of spending on health, education, cultural development and sports facilities;
7. Unemployment insurance to start from the first day of lay-off and continuing for the duration of unemployment at 90 per cent of earnings;
8. Universal old age pension of 650 dollars a month indexed against inflation plus an expanded Canada-Québec pension plan to provide a guaranteed retirement income of 75 per cent of the average industrial wage;
9. Assistance to family farms and the maintenance of the Crow's Nest rates;
10. Moratorium on foreclosures on homes, farms and small businesses;
11. Rolling back consumer and mortgage interest rates;
12. Price controls particularly on necessities such as food and energy; stricter rent controls;
13. Substantial increase in the minimum wage.

These measures will lead to a substantial redistribution of the national income away from the corporations and in favor of the working people. They would lead to an increase in consumers' purchasing power and would thereby stimulate economic growth.

The funds for financing such a program exist.

1. Based on a foreign policy favoring world peace and nuclear disarmament, federal military expenditures can be reduced by 50 per cent. In terms of 1981 federal government expenditures, this would have released almost three billion dollars for socially useful purposes. According to the U.S. Bureau of Labor Statistics, one billion dollars spent on the military generates 76,000 direct and indirect jobs. However, the same amount creates 86,000 jobs in the machine industry, 87,000 jobs in government, 92,000 jobs in transportation, 100,000 jobs in construction, 139,000 jobs in health services and 187,000 jobs in education.[54] Canada has a particularly urgent need for the expansion of the last three categories. By transferring three billion dollars from the military to construction, health services and education, 228,000 military related jobs would be lost but 426,000 other jobs would be created for a *net gain of 198,000 jobs in areas which would directly benefit Canadians* in terms of both jobs and health, education and economic development. In addition, an average annual income of 18,000 dollars taxed at 40 per cent (both direct and indirect taxes) would provide all three levels of government with 1.23 billion dollars more in revenue.

2. Substantially increasing the real corporate tax rate. Federally, the nominal corporate tax rate is 46 per cent, but corporations are also entitled to a federal tax abatement equal to 10 per cent of taxable income. The provincial corporate tax rate ranges between five and fifteen per cent.[55] The real average corporate tax rate is about 30 per cent. Even without other changes, an increase in the general real corporate tax rate to 40 per cent would increase total 1981 government revenue from direct taxes on corporations from 12 to 16 billion dollars. Most of this money would come from the large corporations as they pay a much lower tax rate than small and medium sized corporations. Given that the average number of jobs created by one billion spent dollars is about 115,000 (not including the military), this gives all three levels of government the opportunity to create 460,000 socially useful jobs. In addition, these jobs could generate five billion more dollars in tax revenue.

3. Closing all loopholes and ending tax concessions and other special privileges for corporations. In 1979, book profit before taxes amounted to 43.19 billion dollars, yet only 25 billion dollars of this amount was taxable. Among the deductions were the non-taxable portion of capital gains (4.06 billion dollars), write-offs (5.23 billion dollars) and exploration and development costs (3.43 billion dollars). In addition, there was 4.94 billion dollars in tax credits.[56] The April 1983 federal budget did nothing to change this situation. Instead, it envisaged turning over an additional 1.9 billion dollars to the corporations over a two-year period as a result of the major tax changes proposed by Finance Minister Marc Lalonde.[57] Conservatively speaking, it would be possible to raise another five billion dollars in corporate taxes if at least some of the tax privileges were terminated and other provisions of the Income Tax Act relating to corporations were tightened.

Together, the above proposed changes in the taxation and spending policies of the state could, on the basis of 1981 statistics, create about 558,000 new jobs and increase government tax revenue (not including revenue which is redirected toward job creation and economic growth) by 11 billion dollars, money which could be used to increase old age pensions, unemployment insurance benefits and other forms of social assistance, or could be used to strengthen Canada's *independent* economic development, or a combination of the two. We would also like to draw attention to the fact that the creation of 558,000 jobs would substantially reduce the number of people dependent on unemployment insurance and welfare and would turn such people into productive tax-paying citizens. This in turn would help to compensate for the cost of increased unemployment insurance benefits.

We believe that reducing the work week wtih no reduction in take-home pay constitutes the main means by which ordinary Canadians can benefit from technological change, particularly as it relates to microchip technology and robotics. No doubt employers will say that such a scheme is too radical because it would hurt their profits and stimulate inflation. A reduced work week will not be inflationary if the increase in total wages is accomplished at the expense of corporate profits combined with strict control over monopoly's 'natural' tendency to increase prices as a means of keeping up profit margins. Moreover, what the state might lose in taxes originating from corporations would be compensated for by the increase in taxes that would be derived from the hundreds of thousands of workers who would become productive tax-paying citizens. The expansion of the home market that would result therefrom would stimulate economic growth and create new jobs as consumer spending grows. This expansion would be non-inflationary as long as prices are strictly controlled and the money supply growth rate is no greater than the real growth rate in the production of goods and services.

An Independent Canadian Foreign Policy

By pursuing a generally pro-U.S. policy, particularly as it relates to U.S. imperialist hostility toward the Soviet Union, Canada risks being made a part of the U.S. policy of confronting the Soviet Union and accelerating the arms race.

An independent Canada, however, must pursue an independent Canadian foreign policy which places Canada's interests and the interests of its people ahead of those of the U.S. transnationals. Such a foreign policy must include:

1. Ending Canada's complicity in U.S. imperialism's drive to escalate the arms race, its drive to upset the present state of rough parity in nuclear arms that exists between the USSR and the USA, to sabotage meaningful arms control talks and to prepare for an aggressive nuclear war against the Soviet Union using Western Europeans as the sacrificial lambs of this first strike policy;
2. Instead, declaring Canada a nuclear weapons free zone and prohibiting the testing of any armed or unarmed nuclear weapons in Canada; and
3. Making Canada a positive and active factor in the fight for world peace, détente and disarmament;
4. Pulling Canada out of defense sharing agreements with the USA;
5. Pulling Canada out of NATO and NORAD.

The prevention of nuclear war is the most urgent task facing Canada and all the countries of the world. Nuclear war is just another expression for the extermination of all life on Earth. It is the peace of the graveyard. But we know that the vast majority of the people of Canada and the world do not want nuclear war. They want the Soviet Union and the United States to coexist peacefully. Canada must actively fight for world peace and nuclear disarmament on which humanity's very survival depends.

A Democratic Constitution

Canada's working people can play their patriotic role in the fight for Canadian independence and sustained economic recovery provided that democracy in a real sense is extended. It means the expansion of individual rights and the rights of the labor movement, women, youth and Native peoples. It means recognizing that French Canada is a nation which has had a raw deal in Confederation and which is entitled to the right of national self-determination. It means recognizing that the source of regionalism in Canada is found in the fact that the western and Atlantic provinces have been deliberately kept by big business as hinterlands for the industries of central Canada. Such bills as Solicitor-General Robert Kaplan's C-157 have to be rejected because they not only curb democracy but also worsen existing inequities.

The government has the duty and obligation to recognize the individual and collective rights of the Canadian people.

1. Recognizing the existence of two nations in Canada and enshrining in the constitution the right of both nations to self-determination up to and including the right to secede;
2. A parliament that would consist of two Houses: one like the House of Commons today based on representation by population but elected by a system of proportional representation; the second House, which would replace the Senate, composed of an equal number of elected representatives from Quebec and from English-speaking Canada, the latter representatives being in equal number from each of the nine English-speaking provinces plus guaranteed representation for the Native peoples. Each House to have equal rights to initiate legislation, but both Houses must adopt legislation before it becomes law. This structure would promote three democratic principles: equality of rights of nations regardless of their numerical size, guaranteed rights of distinct peoples to representation in parliament, and majority rule;
3. Fully recognizing the national identity of the Native peoples including full rights to their language and culture, self-government and the satisfaction of their land claims;
4. Fully recognizing the equality of women, especially equal pay for work of equal value;
5. A Labor Bill of Rights recognizing the right to organize, to strike and to act in defense of collective agreements;
6. Removing the 'notwithstanding' clause and expanding the Charter of Rights to include the right to a job, to health, to education, to housing, etc.;
7. Overcoming regionalism and regional alienation through measures which diversify the economies of the western and Atlantic provinces as well as certain regions of Ontario and Quebec.

These changes in the constitution have to be accompanied by measures which put the police under democratic control rather than being a law unto themselves.

* * *

It should be clear that Canada will continue to undergo structural and economic crises as long as our country is a U.S. branch plant economy based on the extraction of natural resources. The challenge before this Royal Commission, indeed before all Canadians, is to advance policies which will begin to cope with Canada's many problems. It is in the spirit of patriotism that we advance these proposals for overcoming the economic crisis and for breaking the U.S. stranglehold on our country.

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A New Course for Canada: Meeting with the Commission

On December 9, 1983, representatives of the Communist Party of Canada — General Secretary William Kashtan, Labor Secretary William Stewart, Research Director Gerry van Houten, and Ontario Organizer John Maclennan — appeared before the Royal Commission. William Kashtan summarized the party's brief and answered questions.

The Chairman: We read your brief. If you have some introductory remarks, we will then have questions.

Mr. Kashtan: Mr. Chairman, members of the Royal Commission on the Economic Union and Development Prospects for Canada, may we first express our appreciation of having the opportunity to put forward our viewpoint on present and future prospects for Canada. Your Commission meets at a crucial moment, not only for Canada but for the world.

Canada has reached a crossroads in its economic and political development, while the world teeters on the precipice of nuclear war. Canada is face to face with an historic choice of either absorption by the United States of America or the pursuit of a path leading to genuine independence. This may appear to some to be an exaggeration, but if one looks at the question closely, one can see that the Reagan administration has embarked on the path of manifest destiny again, with all its dangerous implications for the world.

Efforts to strengthen the independence of Canada, as through the National Energy Program and the Foreign Investment Review Act, have been under fierce attack — not only by the United States administration and its agencies, but by the United States multinationals which see Canada's future as one tied to the United States.

These efforts are furthered by those in Canada who today are attempting to push Canada onto the path of neoconservatism.

Now, in face of a general crisis of the system, there are increased pressures for Canada to take the road of free trade, a common market, further integration with the United States. It is obvious, however, that a common market or free trade would only be agreed to by the United States if this was of benefit to it. Their interest is not in helping to build a competitor, but in using Canada's resources to supply its industrial and war machines.

This one-sided relationship, which distorts the Canadian economy and adds to Canada's international balance of payment problem, is no solution to Canada's economic development. Such an option, in our view, would tie Canada more closely to the United States and hinder our country's ability to act independently, be it in economic and foreign policy as well as in other matters of concern. Its end result could be absorption by the United States and its militarized economy. This is not a future Canadians, we believe, would support.

How short-sighted such a one-sided relationship is can be seen in the 1980 crisis. The question has been asked: Why is Canada's crisis deeper than that of the United States of America? Why is it taking longer to get out of it? Some see the answer in mistaken government economic policies. This may be a partial answer.

More important, in our view, is the fact that the United States administration has sought to get out of the crisis by exporting it to its allies, including Canada. The United States high interest rates have been a key factor here, both in deepening the crisis and making it more difficult to come out of it. In addition, the United States while speaking against protectionism, in fact pursues a policy of protectionism. This also affects Canada's interests.

The special relationship Canada thought it had with the United States has been replaced by growing pressures on Canada's sovereignty and independence. We can see the pressures of the United States administration on Canada by its treatment of Canadian citizens in connection with events in Grenada. We can see it in the National Energy Program and the Foreign Investment Review Act, in the Fisheries Treaty, the Garrison Dam, acid rain, and in its negative attitude to the Canadian government's peace initiatives recently.

Who decides or tries to decide policy for Canada can be seen in an item appearing in the *Globe and Mail* on December 7th, which quotes Mr. Robinson, the United States Ambassador to Canada, as saying: "The National Energy Program has done a great deal of damage to foreign investment." He expressed pleasure at the changes made in the National Energy Program and in the Foreign Investment Review Act. He then went on to say that in defense Canada turned a corner by increasing defense appropriations by 11.3 per cent and agreeing to test the Cruise missile. He said, though, that there were still things to be done.

One might ask: What things? What else must Canada hand over to the United States? Thus, the close relationship with the United States, which was considered a plus in the past, has now turned into a negative, emphasizing again the necessity for Canada to pursue an independent course in economic and other policies.

Our brief emphasizes the need to continue the policy of Canadianization all down the line, as against those who think the National Energy Program and the Foreign Investment Review Act are more than enough, or want to eliminate them. But we see Canadianization somewhat differently than does the present government. In our view, real Canadianization is only possible if it is based on nationalization under democratic control of the key sectors of the economy. At its heart must be the development of secondary industry without which there is no future for Canada. This means, in turn, the utilization of Canada's abundant supply of natural resources and energy for the development of secondary industry; the building of a machine tool industry; the production of machinery in Canada, presently imported from the United States, and which Canada can produce; the development of trade with all countries on a mutually satisfactory basis.

Our brief deals as well with the economic crisis and its negative impact on working people, farmers and sections of the middle class. High unemployment has now been embedded into the system — and purposely so, with the aim of weakening the working class and its ability to defend living standards and its rights. Inflation has been temporarily wrestled to the ground. Living standards have declined; capitalism has nothing better to offer the young people than a bleak future; poverty has increased. This, in turn, has led to a shrinking of the domestic market and has hindered real recovery. The affluent society, the welfare state, a crisis-less system — these have all disappeared as has the policy of full employment.

More and more people now recognize that capitalism cannot operate in their interests. The way out of the crisis proposed by government and business circles is to leave it to free enterprise as the motor for economic recovery. Monetarism and supply-side economics were to have brought recovery, but neither free enterprise, monetarism nor supply-side economics have benefited the people. The role of the state as a key factor for recovery has been attacked, except where it involves give-aways to the corporations or to prevent bankruptcies of corporations.

But when it comes to ensuring the well-being of the Canadian people, such intervention is attacked by these same corporations. As we know, without state intervention, tariffs, depreciation allowances, tax exemptions and other forms, the corporations would collapse in this country. They need the state. So the question really is: State intervention for what purpose and in whose interest? For the corporations, or for the people of this country? This is the problem that we have to resolve.

Much is presently being made of the short-lived recovery, but there can be no real recovery except on the basis of new economic and social policies based on a policy of full employment. In our brief, we present a set of proposals which we think could begin to come to grips with this question.

It includes a shorter work week which the scientific and technological revolution has now placed in the forefront; it includes a vast public investment program which could create new jobs, with particular attention to jobs and training for the young people; it includes an increase in the purchasing power of the population and, thereby, the expansion of the home market; it includes greater Canadian control over the economy. The economy must be owned and run in the interests of the Canadian people.

The scientific and technological revolution has placed the question

sharply to the fore: Will it be a boon or a disaster for the Canadian people? Insofar as corporate wealth is concerned, the primary concern is profits, and if the people suffer the consequences, so much the worse for them. The scientific and technological revolution is too important to be left in private hands. It must be placed under democratic control. The trade unions must have a say over its implementation, as on all other matters of concern to working people in our country. It must be based on the pursuit of a policy of full employment. The people must benefit from it by reduced prices, and the working people by reduced hours of work with no reduction in take-home pay.

The scope of collective bargaining, in our view, must be enlarged to include technological change as well as health and safety. Training and retraining must be undertaken by governments and jointly paid for by the corporations which will benefit from technological change. The educational system, in our view, must be enlarged so as to help young people adapt to the technological changes underway. If this includes a lengthier stay in school, it should be based on adequate compensation during this training. The essence of this part of our brief is that people must come before profit. We do not accept the view that what is good for the corporations is good for Canada. On the contrary, our view is that what is good for the people is good for Canada.

The third point we want to make in our brief is that the achievement of genuine Canadian independence and social progress is predicated on the prevention of nuclear war, and the establishment of a durable peace in the world based on peaceful coexistence between differing social systems, and the establishment of a new international economic order.

The necessity of this basic approach to achieving peace has been undermined by the cold-war, confrontationist policies of the Reagan administration, its increasing use of armed force to protect its so-called national interests, all of which could lead to nuclear war. We welcome the peace initiative undertaken by Prime Minister Trudeau, although the sincerity of this initiative — which stands on its own feet, so to speak — would be greatly reinforced were the government to annul testing of the Cruise missile on Canadian territory and come out in opposition to deployment of the new U.S. missiles in Western Europe.

Giving way to United States pressures on matters of life and death is not an option this or any other government ought to pursue. It should now be clear to all who want to see, that the two-track policy which led to deployment and derailment of negotiations has opened the door to an accelerated arms race and added to international tensions. Let us hope that the third rail will do what the two-track policy failed to accomplish. To succeed it must be based on parity and equality of security for all countries, starting first of all between the United States and the USSR, NATO and the Warsaw Treaty countries.

Canada has a real stake in working for such a solution. Canada, due to geography, lies between the United States and the USSR. Our country would not be spared another war, which by its very nature could be a nuclear war, nor will anyone profit from it as some did in the first and second world wars. Everyone, rich and poor alike, will be its victims. This is why it is more urgent than ever that Canada pursue an independent foreign policy course, alongside an independent economic policy. To tie itself to the United States imperialist aims would mean only disaster for Canada and her people.

The United States, while still the most powerful of the capitalist states, is now a declining power in the world — a power which is fighting desperately to return to its former position of world supremacy. However, history is passing it by as it passed by other imperialist powers. The height of its expansion, its manifest destiny, is over. Should Canada now tie itself to the United States, or strike out on an independent course in economic development, in foreign policy, in cultural policy?

We believe the latter is the course Canada should pursue.

We have not dealt with all the questions included in our brief, including that of economic union which is referred to under the heading of "A Democratic Constitution." Our position on this question has been well elaborated by us.

We hope this and the essential thrust of our brief will receive your careful consideration. As we say in the conclusion of our brief: Canada will continue to undergo structural and economic crises as long as our country is a United States branch plant economy, based on the extraction of natural resources and continues under monopoly control. The challenge before this Royal Commission, we believe, is to advance policies which will begin to cope with Canada's many problems. It is in this spirit that we advance proposals which we believe can help overcome the economic crisis, break the United States stranglehold on our country and strengthen Canada as a powerful force for peace and progress throughout the world.

Thank you.

The Chairman: Thank you. Commissioner Barber.

Commissioner Barber: Mr. Kashtan, your proposal for nationalizing industries: Does that mean you would bring them essentially under what we might call Crown corporations?

Mr. Kashtan: Crown corporations could be one variant. It could find expression in some other form. That is a matter of concrete estimates of a particular situation, but we don't exclude the idea of a Crown corporation taking over this or that sector of the economy, nor do we exclude the significance of state stimulated operations that would come to grips with the economy, because we do not believe that private enterprise knows what to do, except to take profits out of the backs of the people. It has no other solution except that, and can't get Canada out of the crisis.

Commissioner Barber: There are some people who are not altogether that happy about Crown corporations. They feel they are not really under effective control from Parliament, and that they become kind of independent entities.

What is your view of that?

Mr. Kashtan: Well, we think there needs to be a different set-up, and that is why we call it nationalization under democratic control, because we are mindful of the fact that we have various forms of public ownership presently in Canada, be it the CBC, CN, Air Canada, and so on. They are not always run in the interests of the Canadian people, so public ownership by itself is not a panacea unless it is carried through in ways which will benefit the Canadian people.

We think the idea of democratic control is rather important. The working people, not only the owners of industry who presently may be directors of these corporations, need to be included in whatever set-up is established.

We certainly don't favor measures that would strengthen bureaucracy; we favor measures that would strengthen the ability of the people of Canada to intervene in the operation of the economy.

Commissioner Barber: I think there are some economists who would argue that what Canada needs is a more effective competition policy, so that these firms might be left in the hands of private enterprise, but that they would be required to compete more vigorously with one another, and this might keep prices down.

Mr. Kashtan: The fact of the matter is, as we can see through all sectors of the economy, that prices are determined by monopoly. For example, in the food industry, the big corporations set the price. The people don't set it, and no one else sets it. Where you have big corporations in whatever sector of the economy, they set the price. Despite a downturn in the economy during the whole post-war period, there has been no subsequent decline in prices.

The reason is obvious: Monopoly control of the economy is such that they can arbitrarily set the price and keep it there irrespective of demand.

Commissioner Barber: So are you saying you don't think there is a possibility of an effective competition policy?

Mr. Kashtan: Not under monopoly control; no. It is impossible, and you can see by reality that this has not been the picture in Canada.

Commissioner Barber: You refer elsewhere to reduced hours of work with no reduction in take-home pay. If you did this, this means the rate of pay per hour would be higher.

Where do you see this money coming from?

Mr. Kashtan: We think the increased products that are possible to be produced — and in fact are being produced by means of the technological revolution, should lead to reduced prices rather than to increased profits. The fact is that in the post-war period, the 40-hour work week was established. It didn't bring about a revolution in the country; it didn't bring about bankruptcy in the country. Production had reached a higher level, and profits had reached a level, where it was possible to carry it through.

With respect to this process, our view is that the working class movement of the western countries, where the technological revolu-

tion is presently underway, should combine their forces so that the reduction of hours of work would take place without having a negative effect on the working people of other countries. It would be carried through in all countries so that it would not be to the disadvantage of any other country in a competitive sense. The issue of reduced hours of work is now on the agenda. Its time has come.

The alternative to that — and no one has an answer so far, either government or the owners of the new machinery that is being introduced — is what to do with the people who are being thrown out of work. They can't even solve the problem now of 600,000 young people who have no work. We face a crisis. The kind of policies that have been pursued up to now are absolutely bankrupt.

We better face up to that fact. I wouldn't go so far as Catholic Archbishop Carter, who said, "If you don't solve the unemployment problem, you are going to have a revolution" — I would say that the Canadian people are getting increasingly fed up with the inability of the system to operate in their interests, and something is going to happen to change that.

Commissioner Barber: To come back for a minute to the nationalization. Supposing you were to nationalize the automobile industry, do you think you might have trouble having access to foreign technology, and would have to then create all your own?

Mr. Kashtan: I think that the Canadian people have enough talent, engineers and others to have the know-how to carry through the production of a Canadian car. The fact is that we had, originally, a Canadian car in Oshawa. Then, with the increasing takeover of Canada by United States interests, the Canadian car disappeared, and what we have instead are American cars produced in Canada — or parts of American cars produced in Canada.

So, we had it before, and we can have it again. All we need is the will.

Commissioner Barber: There might be an awkward period when you would be developing the new technology; would there?

Mr. Kashtan: There could be, and that is a process of transition. But it seems to me that it is not insurmountable. What we need is the will to do it. If there is no will, nothing can happen; if there is the will, we will find a way. That is our view.

Commissioner Barber: Thank you very much.

The Chairman: Commissioner Messer.

Commissioner Messer: When you talk about the Canadianization and nationalization of a lot of Canadian industry, what would the process be in respect of nationalization? A negotiated price?

Mr. Kashtan: Yes, we think so. We don't propose in our program that we undertake nationalization without compensation. I think that it would be on the basis of agreed prices, but within certain limits. You could have a company that would want a 20 per cent profit on the deal. This would be a prohibitive demand and non-supportable. Whatever would be a going rate, and supportable by the Canadian people, should be undertaken, so that we don't propose —

Commissioner Messer: But, you couldn't negotiate its expropriation with third-party settlement or litigation?

Mr. Kashtan: It is a method which has to be worked out. We think once the Canadian people or government makes up its mind to move in that direction, it could be worked out. The main thing is that it works out in such a way that production would expand and the people would benefit by this expansion.

Commissioner Messer: Once the process of value had been negotiated, would it be your intent to pay out in cash, or to pay out in profits over a period time?

Mr. Kashtan: This, too, is a subject for discussion and negotiation. It could be either a cash settlement or a payment over X number of years, or some other way.

Commissioner Messer: In respect of the recommendations you make, recommendations 11 and 12 are of some considerable interest to me. No. 12, you suggest price controls, particularly in the food and energy sectors. I would assume that that energy would include electrical energy — probably one of the major areas that all consumers are confronted with. But in reality, when one looks at the returns on a good many of these utilities, the return on the investment which is generated through the consumers' energy consumption is not high enough now. So, you may very well be looking at increases, rather than just freezes or roll-backs.

Mr. Kashtan: That, too, would be determined by the specific situation at the time — what is the total economic climate and what is a permissible policy that would be acceptable to the majority of the Canadian people.

Commissioner Messer: So, one shouldn't really assume what is being said here is that there is going to be a freeze, or that there may be a reduction?

Mr. Kashtan: Not in total, no.

Commissioner Messer: These enterprises would be run on an economic basis, but producing more and through that providing some better return to the ultimate consumer?

Mr. Kashtan: That is right.

Commissioner Messer: I would like to ask a question on recommendation 11, where you would roll-back consumer mortgage and interest rates. This money is privately held. How do you keep it in the country if there is a more attractive interest rate south of the Canada-U.S. border?

Mr. Kashtan: That is a basic problem that the Canadian people are faced with, because presently billions of investment dollars are being exported annually, basically to the United States. I would raise a question about the patriotism of these individuals, who think that they can make more profits elsewhere, taking money that was produced, not by them but by the people who have produced the goods. They didn't produce anything. That profit, which the people produced, is now being sent somewhere else for others to benefit instead of Canadians.

We would propose some form of controls to be worked out in a way that is manageable and would have positive effects. We are mindful of the fact that there would be people trying to find some other way of getting around it. You would have black markets and all sorts of businesses of this kind.

Well, we presently have all sorts of situations which call for the police to be used here, and so on. So, even in normal times you have that. Here, too, it is a matter of working out a method of dealing with it, but I do think that there needs to be some way in which some controls are exercised that would prevent the export of capital, capital which could be put to use in this country to help to develop it.

Commissioner Messer: Where controls have been tried in the past, they haven't been too successful. The money seems to always escape the country, and the investment that is needed is just not there.

Mr. Kashtan: A government that is determined to carry it through could undertake strict import and export regulations, and determine whether this or that way of approaching it would best serve the interests of the country. It is possible to do. In fact, during the war we did that, didn't we? There were all kinds of controls exercised, and the people generally accepted it because they felt an urge to do it in the overall interests of the struggle against Hitler fascism.

I would say that under certain circumstances you could arouse and stimulate the patriotism of the Canadian people if they felt it was in their interests, and not going into the pockets of Mr. Campeau or somebody else.

Commissioner Messer: A good many of the problems you address come from a human greed, and it is difficult to legislate.

Mr. Kashtan: Sometimes that is true, and yet we do have laws to legislate all these human foibles of the people. We have to decide what is possible.

Commissioner Messer: One last question. Do you think there is enough capital in Canada now?

Mr. Kashtan: Yes. There is an enormous amount of capital in Canada. Those who have the money are rich enough. There is enough capital that could be put to use for the good of the country.

Commissioner Messer: There is no need to go outside of Canada for it?

Mr. Kashtan: I think that period is by and large past. There should not be a closed door to foreign investment, but we cannot agree with Mr. Mulroney's point of view that the door is going to be open to foreign investment when it means an additional take-over of the Canadian economy.

We think that the wealth, resources, people and talents are here. The country can be built, and it should be built.

Commissioner Messer: Thank you.

The Chairman: Thank you, Mr. Kashtan and gentlemen. We found your brief interesting.

Mr. Kashtan: Thank you.

If you find yourself in agreement with the proposals of the Communist Party and want to join or want to know more about what we think and do, please be in touch with us.

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